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Firms' Characteristics and Aggressive Tax Avoidance Practices among listed Commercial Banks in Nigeria

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Abstract
This project work focused on the aggressive tax avoidance practices and firm characteristics among Nigeria's listed commercial banks with the overarching goal of examining the relationship between business' features and aggressive tax avoidance methods. Regression analysis was employed as a secondary data source for thirteen (13) commercial banks that are listed on the Nigeria Exchange Group and submit their accounts by December 31st of each year. The study, which covered between 2012 and 2023, employed a descriptive statistical and analytical technique to characterize the variables and a descriptive method to analyze the reliability and predictive power of the regression model in determining whether to accept or reject the null hypothesis. Only Leverage (p-value = 0.249228) at 1% has an adverse association with ETR, although the correlations with FSIZE (r = 0.203653), Leverage (r = -0.11244), Profitability (r = 0.211617), and FML (r = 0.237959) are all found to be positively correlated excepting leverage. For FSIZE (0.006797, p=0.086131), the result showed a positive coefficient with a significant P-value. It displays a negative coefficient for leverage with a negligible P-value (-0.00058, p=0.249228). Profitability's P-value is substantial and it has a positive coefficient. (0.029673, p = 0.095781). FML furthermore exhibits a positive coefficient and a significant P-value (0.030843, p = 0.08742). Based on the estimation results, this study finds that the features of the firms have an impact on the aggressive tax evasion of commercial banks listed on the Nigerian Exchange Group. The research suggests that when examining the elements that lead to aggressive taxation, greater attention should be paid to firm size, profitability, leverage, and foreign market listing by different parties, especially those in Nigeria.

Keywords: Tax planning, Firms' Characteristics and Aggressive Tax Avoidance

Introduction

Tax is a key source of revenue to the Nigerian government and the likes across the globe. Tax is one of the right which the state has over its citizens. Being the right of the state, taxes are used for the administration of the state with a view to meeting the needs and welfare of the people in that state. It is a substantial redistribution through the welfare state. (Sinfield, 2007)

In its fiscal estimates, the government suggests a yearly tax revenue goal or amount. Tax aggression from a variety of taxpayer groups, particularly corporate entities, may be cited as a reason for the underwhelming revenue target. The simple explanation is that, in the corporate/business sector, taxes are a cost that lowers distributable profits or earnings. With this in mind, a lot of business taxpayers consider it a sign of good management to figure out how to pay less in taxes for their activities. Such corporate taxpayers may become tax aggressive as a result of this approach; nonetheless, in certain cases, news concerning a company's aggressive tax practices may be interpreted by investors as proof of the insiders' propensity to be aggressive with investors in addition to the company's actions toward the tax authorities. (Hanlon & Slemrod, 2009).

Corporate tax aggressiveness is the practice of deploying tax planning strategies to shrink taxable profit.. These tax planning actions tend to exploit the gaps in the taxing laws. As this gap exist, various corporate management adopt different measures to aggressively reduce the tax payable. (Dewi & Yasa, 2020). The growing worry over aggressive tax dodging techniques by Nigeria's listed commercial banks has been brought to light by recent investigations. Banks are using a variety of tactics to lower their tax payments, a practice known as tax avoidance (Lanis & Richardson, 2012); (Chen, 2017). Tax avoidance is the legal minimizing of tax costs.

The crux of the issue is that the Nigerian economy may be significantly impacted by aggressive tax dodging tactics. Aggressive tax avoidance by banks denies the government vital tax money that could be utilized for infrastructure development and the provision of basic public services (Desai & Dharmapala, 2009; Hanlon & Heitzman, 2010). Furthermore, these actions have the potential to erode public confidence and compromise the integrity and fairness of the tax system.

Additionally, the work currently in publication has emphasized the possible connection between aggressive tax avoidance and corporate characteristics (Lanis & Richardson, 2012; Hoi et al., 2013). A bank's inclination to engage in aggressive tax avoidance may be influenced by various factors, including business size, profitability, leverage, and the existence of a tax department. For legislators and regulators to create effective solutions to the issue and advance a more open and responsible tax environment in the Nigerian banking

industry, they must have a thorough understanding of these linkages.
The outcomes of recent research undertaken in the Nigerian setting have been inconsistent, underscoring the need for additional research (Oyerogba, 2016; Adegbie & Soje, 2018). Consequently, using the most recent data and pertinent theoretical frameworks, this study intends to investigate the association between business characteristics and aggressive tax avoidance among Nigeria's listed commercial banks.

LITERATURE REVIEW

Conceptual framework

Tax avoidance practices are simply legitimate tax practices permitted under the taxing statutes. For this, Chen, et al. (2010) classified them as grey area activities as well as illegal activities. Tax avoidance is a tax practice of minimizing tax payable to government. This is done or achieved through various tax planning activities. Different writers have at different times described these activities as tax cheating (Hanlon & Slemrod, 2009), some say it is tax sheltering (Yeung, 2010), and yet others described it as tax avoidance (Desai & Dharmapala, 2004).
Tax avoidance planning is technically referred to as tax management. It refers to the firm's right plan to reduce or mitigate the taxes payable to the government. It is done systematically by considering all the loopholes in the taxing statutes taking advantages of them without falling victim of tax evasion. The aim being to reduce tax payable and therefore maximize the wealth of shareholders by helping them to increase after tax earnings from which they (shareholders) are allocated portions of the firms' performance during the reporting period. For this, Nwaobia and Jayeola (2016) depicted that tax avoidance practices aim at cutting down tax liability to bring about a positive growth on the entity's cash flow and increase in its post-tax earnings. In like manner, Desai and Dharmpala (2009) wrote that tax avoidance are acts quit profitable to the investors by cutting down on tax liability, enhancing tax savings and thus, a rise in earnings per share together with the market price per share of the reporting firm.

Strategies for tax avoidance

Tax Planning Strategies

The goal of tax arrangement is usually to maximize the taxpayer's post-tax profit while concurrently attaining the tax payer's own tax goals. Maximizing post – tax profit is not essentially the same as reducing tax payable. Precisely, maximizing post-tax wealth requires taxpayers to consider both the tax and non – tax costs and benefits of alternate transactions, whereas tax reduction concentrates solely on a single costs (i.e. taxes). The ultimate aims of tax planning is therefore to achieve the lowest tax burden as a whole, and to maximize post-tax profit (Zhang, 2019).
In every transaction, three (3) parties are involved – the one that pays the tax (called the taxpayer), the other transacting party and the government authority, who stipulates the tax implication of the transaction. Therefore, productive tax planning demands an understanding

of the tax implications of transactions from the taxpayer's and other party's perspectives since tax and non-tax factors also impact the other party's preferences. An understanding of these preferences will enable the taxpayer to distinguish an optimal transaction structure. (Spilker, 2019).

Ishola, et al. (2020). Related from Nwaobia & Jayeoba (2016) that corporate tax planning strategies as including the chosen type of business, location and operational area of the business, choosing a suitable date of commencement as well as cessation of business, deciding on the accounting date, choice of capital structure, method of acquisition of assets, etc. To them, the following are used as tax planning strategies proxies: Thin capitalization, Capital intensity and Research and Development cost.

Firms' Characteristics

Firms' attributes or characteristics denote the internal business environment which the firms can control. Effiong & Ekpoese (2020) depicted that they influence how much a firm's value can change. Nkundabanyanga et al. (2019) wrote that firms characteristics refers to the physical dimension (size and resources) or inherent identity (age and type).

Firms' characteristics generally refer to profitability, size, leverage, foreign market listing and many more. The above four-listed attributes are used in this study.

Firm's size

Firm Size describes the scale of a firm's operation or volume of activities. There are quite a number of factors that decide the size of a firm. Such factors include sales volume or turnover, total assets employed, the number of employees and many others. The size of a firm is a measure that is used to quantify the operating scale of a firm. (Dang, et al, 2018). They asserted that the size of a business firm has impact on the firm's visibility in the market for its products or services. It does also have impact on the firm's scale of operation, its share of the market for its products or services, survival strategies, and more importantly, its bargaining power among others. Bigger firms habitually leverage on their economies of scale as they can afford superior bargaining power in terms of pricing decisions; and better rates survival.

The size of a firm can be measured using different factors as turnover, number of employees, as well as market share for its products. Each of these measures gives us a unique insight about the firm's standing within the competition. (Edmund & Soumen, 2006)

Firm's size does not just rest on one component. There are multiple factors that have an impact on it. There are the internal and the outside element. These sets of factors play vital role in determining the size at which a business will operate. A knowledge of these factors can improve our hold of the dynamics of commercial enterprise operations and management style. The internal factors that influence the dimensions of the company as found by (David & Anastasia, 2019) consist of:

i. Managerial skills: The enterprising ability of the company's management to organize and coordinate manufacturing input is very critical for the fulfillment and boom of an

enterprise. For this reason, it behooves on the management team to be able to employ sources efficaciously and successfully, streamline manufacturing procedures to boost growth and boom the size of a commercial enterprise.

ii. Economic resources: the supply and efficient use of monetary resources are critical to the fulfillment of the commercial enterprise firm. The company's economic performance make contributions immensely to growth and average expansion, directly improving on the size of the firm.

iii. Technology: The use of technological tools can have a meaningful impact on the firm's processes. Improved technology is expected to bring about improvement in productivity and efficient use of economic resources, thereby leading to growth and increase in a firm's size.

As a firm manages its internal factors, it is also required to watch out for the wave of external factors. External factors that have bearing on its size usually include government regulations, market conditions, as well as the trend of economic activities.

The size of a firm is a characteristic feature that has influence on the tax avoidance practice of the firms. The larger the size of the firm, the more resources at its disposal to engage tax avoidance experts to help arrange its tax sheltering. To this, Dewi & Yasa (2020) remarked that the consequent of firm size is that they are able to engage in tax avoidance practices by exploiting existing loopholes in taxing statutes.

We are guided by basic economic theories that large firms have better stand in the market as a result of their commercial, managerial, financial and technical expertise. And all these put together place item in a better position to indulge in tax sheltering practices as they seem to have more resources to do so. This places them in a position to manage their tax liability or burden in a more optimal way.

Ogbeide & Iyafeke (2018) opined that tax avoidance practices may be lawful or unlawful, depending on the degree to which the tax arrangement has been done, yet larger firms are able to do the tax manipulation within the limit which the law allows. This is true simply because larger firms are able to put together the expertise of tax professionals who assist them in this regard. One of the indicators of measuring firms' size is effective tax rate (ETR), though it has its own shortcoming Ogbeide & Iyafeke (2018) maintained that the ETR looks flexible and resulting in the aim of tax avoidance practices of listed firms when compared with generally accepted accounting principles (GAAPs)

Firm's profitability

Profitability refers to a firm's ability to generate earnings relative to its expenses, costs, and overall capital used during a certain period. It is an important signal of the company's financial health. Seyed & Esmail, (2013), profitability means a firm's ability to generate a suitable return on capital invested that make shareholders happy and motivate prospective investors to invest.

Profitability can be measured using several financial metrics, such as:

Profit margin: This gives the net earnings or profit of a business firm's income less cost of goods sold, including all expenses, for an accounting period. (Jayathilaka, 2020)

Return on equity (ROE): The ratio of return that the business realizes for each unit of currency that eventually becomes its capital is known as return on equity, or ROE. The net ratio of ordinary equity is what Brigham & Houston (2012) refer to as the idea of ROE. ***Earnings before interest, taxes, depreciation, and amortization (EBITDA):*** This ratio lets intimates the entity's stakeholders whether a company is financially healthy or otherwise and how it can generate revenue from operations.

These ratios show how efficiently a company generates profit and value for shareholders. They are, however, more useful when they are compared to those of similar entities, the entity's own performance history, or average ratios for the entity's industry. Usually, a higher value relative to a previous value implies that the entity is doing well.

Profitability is also a factor causing aggressive tax avoidance practices. Feber (2021) quoted Sugiyarso and Winarni (2005) as saying that profitability is the entity's ability to profit relative to its own resources. In this study, profitability proxied by the ratio of Return on Assets (ROA) as it has the ability to measure the firm's capacity to earn profits in the past to be projected in the future. Andhari & Sukartha (2017) observed that there is a positive association between profitability tax avoidance practices. The higher the amount of profit earned by the firm, the more tax aggressive the firm will tend to minimize its tax burden, though Hidayat & Fitria (2018) and Putri (2019) noted a zero effect of profitability on tax avoidance being practiced by the firm.

Firm's Leverage

Leverage often describes the amplified impact that changes in overall earnings have on a company's income from common stock because of fixed payments to bonds and preferred stock. Therefore, high leverage is defined as a relatively high debt-to-asset ratio that increases average return to owners but also elevates the possibility of financial difficulties. (Samuel, 1973).

Smaller, younger, and less profitable in general, zero-leverage or ultra-low leverage business firms have a greater payout ratio. In order to counteract underinvestment incentives, these companies also rely largely on equity financing and have sizable cash reserves. Businesses that have prospects for rapid expansion are more likely to implement and abandon a very strict debt policy. (Dang, 2009)

If an organization has too much debt, both it and its investors may be at risk. However, if a company's operations can generate a higher rate of return than the interest paid on its loans, debt may be used to finance expansion. Credit downgrades or even worse outcomes may result from unmanaged debt levels. However, having too few debts might also cause problems. Operating margin constraints may be indicated by a reluctance or incapacity to borrow.

Leverage situation of a corporation is determined by two accounting ratios. These are the *debt-to-total-assets* and *debt-to-equity ratios*. These ratios are valuable when compared to those from other organisations in the same industry.

Tax aggressiveness is also influenced by the leverage ratio, sometimes known as the solvency ratio. Leverage, as defined by Yulfaida & Zulaikha (2012), is a measure of how much of an organization's assets are financed by debt. It also indicates how much debt the company has on hand. Businesses with high leverage ratios only demonstrate how largely they rely on debt or loans from outside sources to fund their operations.. The amount of taxes that a firm must pay may vary depending on how much leverage it has. This is so that the tax burden can be reduced by deducting the interest cost of debt when calculating taxes due. This is consistent with the findings of study by Lanis & Richardson (2012), who found that higher levels of leverage result in lower Effective Tax Rates (ETRs) since interest charges can lessen the overall tax burden. Since the amount of debt a corporation has an impact on the interest it must pay, which in turn affects the amount of taxes it must pay, the leverage ratio in this study is represented by the Debt to Equity Ratio (DER). According to Putri's research findings from 2019, leverage significantly affects tax evasion practices. Nonetheless, Firami (2016) found no relationship between leverage and tax aggressiveness in his research.

Foreign market listing

According to emerging research, foreign institutional investors have a major impact on the corporate behaviour of their investee enterprises through direct interventions or indirect supply-demand risks (Luong et al. 2017; and Tsang et al., 2019).

Foreign institutional investors typically originate from nations with distinct institutions and rules. The tax literature that is now accessible demonstrates the link between managerial opportunism and information asymmetry and tax evasion activities. For example, tax aggression raises organizational and financial complexity, which hinders investors' ability to comprehend the firm's operations, according to Balakrishnan et al. (2019). Additionally, in order to avoid being audited by tax authorities, managers are more likely to conceal and conceal transactions that avoid paying taxes as well as create shady financial reports (Balakrishnan et al., 2019). According to Desai and Dharmapala (2006), managerial rent diversion and corporate tax evasion have a positive feedback relationship. Therefore, increased tax avoidance by their investee enterprises would result in greater relational costs for international institutional investors.

In actual fact, government, media, and legal criticism of business tax dodging operations has increased recently. According to a 2014 Ernst & Young (EY) poll, there has been a noticeable increase in tax audit activity in recent years, and there are now serious concerns about the reputational hazards associated with taxes due to heavy media coverage (EY, 2014). Therefore, if their investee enterprises engage in more tax avoidance activities, foreign institutional investors would pay higher unfamiliarity costs.

Theoretical Framework

Agency Theory

Jensen and Meckling introduced agency theory in 1976. They proposed a hypothesis explaining how conflicts of interest among an entity's managers, debt financing sources, and owners (shareholders) form the basis of that entity's governance. These groups all have distinct goals and areas of interest. It is a theory that is used to explain and settle problems in the interaction between business owners and agents. The relationship that exists most frequently, nevertheless, is that of corporate leaders acting as agents and shareholders acting as principals. Carol (2023).

The position of this theory is that tax aggressiveness is influenced by corporate governance and entity characteristics. Issues such as audit committees, independent commissioners, quality of audit, firm's profitability, size, as well as leverage, can influence a firm's tax aggressiveness.

Desai and Dharmapala (2009), an agency framework that allows managers to enjoy private benefits of control at the expense of other shareholders is an example of tax aggression. Though Berle and Means (1932) conducted the study on the agency problem, they were influenced by the function that taxes played in spreading property in the American economy (Aliani & Zarai, 2012). In their thesis from 1932, Berle and Means examined the implications of running a company in which the owners are not involved in day-to-day management. They emphasize that directors nominated or elected by shareholders do, in fact, act in the owners' best interests when pursuing their own goals. The corporate board of directors' pursuit of self-interest resulted from the ownership division; thus, prompting agency costs.

Jensen and Meckling (1976) emphasized that agency conflict frequently occurs between a company's owners and management. In order to extract rent, managers may pursue projects with negative net present values. According to Seidman and Stemberg (2011), a paradigm for evaluating agency conflicts is tax aggressiveness. They underlined once more that minimizing tax payments increases the value to shareholders, but that the managers must bear the high costs associated with adopting an aggressive tax approach. Penalties for tax evasion may harm managers' reputations. Most of the time, the latter use a portion of company funds to cover the consultants' fees; and moreover, they take the time to put tax plans into action, and frequently they wish to take advantage of managerial opportunism to profit more from these aggressive tax methods at the expense of shareholders. According to Lee et al. (2015), the agency theory provides a suitable theoretical framework for explaining why different business board members typically work to lower tax liabilities.

Legitimacy Theory

In 1975, Dowling and Pfeffer introduced the validity theory (Guthrie & Ward, 2006). Legitimacy is the common opinion or presumption that an entity's activities are required, legitimate, or appropriate within a socially built system of conventions, values, beliefs, and definitions, according to Suchman (1995). According to legitimacy theory, organizations

always make an effort to make sure that their operations adhere to social norms and boundaries (Deegan et al., 2002). All that this theory focuses on is how the creature interacts with society. Furthermore, according to this idea, the entity should adhere to the social norms that are applicable in the community at large because it is a part of that broader community. It was also mentioned that proponents of this legitimacy thesis stated that they thought the public would grant the organization legitimacy. In Badingatus (2016). The claim made by Dowling and Pfeffer (1975) in Ghozali & Chariri (2007) supports this. Additionally, Ghozali & Chariri (2007) noted that the social compact between the business entity and the community in which it works and uses financial resources is the essential theory of legitimacy.

Stakeholder theory and this theory are closely related. Within the framework of political economic theory, Gary & Lavers (1994) argued in Rahmawati & Dul (2012) that the theory and stakeholder theory are merely theoretical perspectives. As opposed to stakeholder theory, which holds that management functions and reports are made in accordance with the desires and authority of various stakeholder groups (Ulman, 1982 in Rahmawati & Dul, 2012). The relationship between these entities and society is highlighted by the legitimacy thesis. A dynamic society lacks the foundation for institutional authority and the requirement for perpetual services. Therefore, each establishment must demonstrate that the community genuinely needs the services of specific organizations that benefit from the honors they receive and are endorsed by the community in order to pass both the legitimacy and relevance tests. In Badingatus (2016).

The research study by Lanis & Richardson (2013) supports legitimacy theory in the context of corporate tax aggressiveness by demonstrating a positive and statistically significant relationship between corporate tax aggressiveness and Corporate Social Responsibility (CSR) disclosure. According to the theory, companies that reveal more information about their Corporate Social Responsibility (CSR) initiatives are likely involved in tax avoidance. The idea is that these organizations scale their aggressive tax practices by using CSR disclosure as a tool for legitimacy.

The study is based on the legitimacy theory, which takes into account the context of the various theories. This makes sense because the legitimacy theory discusses how to strike a balance between upholding legitimacy and reducing tax obligations. But it's important to understand that a variety of factors affect tax behavior, and these theories might overlap in real-world situations. (Mohinder and Anshu, 2023)

Empirical review

To determine the degree to which tax aggression influences a firm's growth, numerous studies have been carried out. Using instrumental variable estimates to account for unexplained disparities between income reported to tax authorities and the capital market.

Desai and Dhamapala, (2009) investigated different theories of corporate tax avoidance. Based on agency issues arising from the shareholder-manager relationship, they conclude that the

simplistic interpretation of corporate tax evasion as a transfer of resources from the state of shareholders is inadequate.

Michelle and Joel (2009) conducted a study on how news concerning corporate tax aggression affects stock prices. They discover that when there is news regarding a business's involvement in tax havens, the stock price of that company generally drops. They discover a small amount of evidence supporting the reaction's cross-sectional variance. Retail companies, for instance, are experiencing a greater negative response, which may be partially the result of taxpayer or customer resentment. Furthermore, the response is less negative for companies whose cash effective tax rate is higher and which are generally thought to be less tax aggressive. According to their interpretation, this is consistent with the market responding favourably to information about a company's tax aggressiveness and financial reports that show it is attempting to minimise taxes. On average, stock prices drop in response to reports of tax shelter involvement, but this reaction is less pronounced when other forms of wrongdoing are disclosed.

The tax aggressiveness of domestic and multinational companies was compared by Andrey (2012), who also looked into the connection between tax aggressiveness and multinational size measured by the number of foreign jurisdictions—and evaluated the general calibre of the tax footnote disclosures related to fin 48 made by domestic and multinational companies, taking into account their involvement in aggressive tax planning. Based on the data, it appears that larger international corporations have a higher tax aggressiveness than smaller ones. Finally, the findings provided evidence for a possible negative correlation between multinational corporations' tax aggression and the quality of their disclosures.

Guenther, et al. (2016). In their study, regression analysis was used to create a measure of tax risk by applying the conventional definition of tax risk, which is quantified by stock return volatility, in order to investigate whether tax avoidance methods are linked to increased firm risk. They discover that low tax rates typically last longer than high tax rates and that the tax avoidance metrics that are frequently employed in the literature are typically not accepted.

Lennox, et al. (2013) Look at the correlation between the frequency of alleged accounting fraud and aggressive tax reporting. Utilizing multiple indicators of tax aggressiveness to verify our findings, they typically conclude that public companies in the United States with high tax aggressiveness have lower rates of accounting fraud. More particular, four (two) of the five (three) proxies for firms' effective tax rates (book-tax differences) load positively (negatively) throughout the 1981-2001 period, showing that fraud firms are less tax aggressiveness.

Hoi-An, et al. (2013) claim that businesses with excessively reckless corporate social responsibility (CSR) activities are more aggressive in dodging taxes. This leaves a significant gap that needs to be filled by the current paper, which aims to learn from the literature about corporate tax aggressiveness strategies and how they affect business growth in Nigeria.

The empirical relationship between CSR and tax evasion was also investigated by Hoi-An et al. (2013). Building on the work of Lanis and Richardson (2012), Hoi et al. (2013) measure CSR efforts using a third-party source (negative social ratings from KLD research & analytics,

Inc.), a large sample of United States of American corporations, and many tax avoidance methods. According to their findings, businesses that engage in excessively reckless corporate social responsibility are more active in dodging taxes. Depending on classification, corporation size, and time period, 20 Australian corporations classified as tax aggressive and 20 non-tax aggressive were matched.

Lanis and Richardson (2013) examined the idea that tax-aggressive companies should provide more information about corporate social responsibility in their yearly reports. By disclosing more information, they hope to allay public fears about the damaging effects that corporate tax aggression has on the community and show that they are fulfilling other community expectations. The correlation between corporate tax aggression and CSR disclosure was shown to be statistically significant and positive. They asserted that this finding, which runs counter to the study's finding of a negative association, offers empirical support for legitimacy theory. There is some confusion between these notions as a result of the mixed usage of different CSR and business ethics-related terminology in corporate communication, the media, and the literature.

Annuar, et al. (2014) Using two econometric dynamic panel data models and the Generalized Method Moment estimator (GMM), suggest models for empirical research into the relationship between company ownership structure and corporate tax avoidance in Malaysia. They discovered that the relationship between company ownership structure and corporate tax evasion might be lessened by robust governance mechanisms.

Martinez and Ramalho (2014) examined the question of whether Brazilian family businesses engage in more active tax planning than non-family businesses using data from a sample of companies listed between 2021 and 2012 on the BMF and Bovespa. A quarter of the companies in the sample are classified as family firms. Based on two indicators, they discovered a substantial correlation between tax aggression and the classification of a company as a family firm. While book-tax differences (BTD) reflect the differences between accounting and taxable income, effective tax rate (ETR) measures real taxes paid relative to pre-tax earnings. Compared to non-family enterprises, family firms in the sample had a higher level of tax aggression. Family businesses showed a positive indication for the between variable, suggesting a trend for increased BTD. Consequently, ETR displayed a negative indication, indicating a family business's propensity to pay less in taxes.

Harvey, (2014) Analyze the aggressiveness of business taxes between the 1990s and 2014. He also studies 21 public corporations and covers several public indicators of corporate tax aggression. He discovered that a company's level of tax aggressiveness might fluctuate based on the legal climate and whether or not it thinks the benefits outweigh the costs.

Lee et al. (2015) examined the accounting literature on tax evasion, focusing on theories of corporate tax evasion and empirical stand-ins for tax evasion. One of the important analytical foundations for enhancing comprehension of the interactions between managers and shareholders regarding business tax evasion tactics ought to be agency theories. Financial statement variables are used to calculate a number of empirical proxies for corporate tax

avoidance; however, their applicability is restricted to businesses that engage in conforming tax avoidance, which lowers both book and taxable income. As an alternative, active tax avoidance might be masked by tax shelters and ambiguous tax benefits.

Galica, (2015) examine the intricacies of corporate tax planning, emphasizing the tax deferral tactics employed by US multinational firms, and offer an ethical and economic evaluation of corporate tax organizations. International businesses—mostly Fortune 500 companies—are the main focus. After then, it evaluates market patterns and focuses on the unacknowledged tax benefits that both big and small publicly traded corporations have disclosed. Comprehensive background information on corporate tax havens, the advantages of deferred taxes, and an outsider's viewpoint on the topic—namely, the discrepancy between public and shareholder perceptions—are all included in the study.

Amidu et al. (2016) investigate the relationship between corporate tax evasion (CTA), earnings management (EM) and corporate social responsibility (CSR) in an emerging economy context. This study uses the Method of Moments (MM) and logistic regression to determine whether companies in Ghana manage their earnings and avoid taxes to pay for corporate social responsibility. The results show that most of the companies sampled have managed their profits and taxes to some extent over time. The study also found evidence that increased CSR practices are associated with increased EM, suggesting that firms in the sample may use CSR as a hedge to engage in opportunistic behaviors such as management money. Moreover, these results are important policy considerations for policymakers evaluating the effectiveness of tax laws..

Bradley, et al. (2017) examine the effect of increased accounting taxation on the capital structure of firms. Previous studies show a decline in the informativeness of stock market accounting returns due to greater accounting tax compliance. They argue that reduced formal capacity affects shareholders more than debt holders because the repayment structures of debt and equity investments differ such that increasing accounting compliance leads to firm growth; dependence on loan capital. Using a natural experiment in the United States, they find that increasing corporate accounting compliance increases leverage relative to other firms. The study also provides evidence of an increase in the cost of equity (but not debt) in former firms. An increase in accounting tax compliance relative to controlling firms and that increase in the cost of equity is positively related to an increase in financial leverage. The results are consistent with firms moving away from equity and toward increasing debt when accounting taxation is higher.

Rahayu et al. (2017) examined whether or not the taxpayer's awareness can influence their knowledge and comprehension of tax regulations and their compliance. The study, which used quantitative analysis and taxpayers as respondents, discovered that taxpayer awareness and knowledge of tax regulations both concurrently contributed to taxpayer compliance.

Koumanakos, et al. (2017) investigated the connection between corporate tax compliance in Greece and the macroeconomic environment from 2004 to 2014, with a sample of 246 firms

and year of observation. According to the study, there is a positive correlation between the level of corporate tax evasion and the state of the economy.

Mgbame et al. (2017) investigated the relationship between listed companies in Nigeria's tax aggression and their performance in corporate social responsibility (CSR). Design and data for sectional research were gathered from published annual reports, using a sample of fifty companies from 2007 to 2013. According to the study, tax aggressiveness and CSR success in Nigeria are negatively correlated. Firm size and tax aggression have a negative correlation.

Jeongho and Chaechang (2017) attempted to establish a link of causation between tax evasion and financial ratios. In addition to direct financial obligations, they speculate that companies that evade taxes may also have indirect financial consequences, such damage to their standing in the investing community. Businesses that engage in corporate social responsibility (CSR) activities see a return on their investment as investors view these companies as having a good societal impact. Tax evasion and corporate social responsibility (CSR) are two opposing drives that are sought after to determine how they interact with financial ratios. Based on this research, tax authorities can impose regulations on companies that evade taxes and promote corporate social responsibility initiatives.

They discovered that corporate tax evasion is positively and significantly impacted by the current asset turnover, labor-to-equipment, noncurrent liabilities, and net income-to-equity ratios.

Kimsen and Siti (2018) the effect of return on assets (ROA), Debt to Equity Ratio (DER), and Asset on Tax Avoidance in the sector of various businesses listed on the Indonesian Stock Exchange, partially and simultaneously. The study was conducted over a five-year period, from 2012 to 2016. All industries and other sectors listed in Indonesia between 2012 and 2016 were included in the research population. The targeted sampling method is the one that is employed. The sample size was 8 companies based on the given criteria. Secondary data from the Indonesian stock exchange was the type of data used. Panel data regression analysis was the technique employed for data analysis. The F-test and t-test results revealed that return on investment.

Kibiya, and Aminu, (2019) examine the effects of listed conglomerates' tax strategy and corporate characteristics in Nigeria. For the study, five Nigerian conglomerates on the list were selected. The study's data was taken from the sampled companies' annual reports and accounts for the twelve-year period between 2006 and 2017. Multiple regression analysis was used to examine the data. The statistical analysis's findings demonstrated the detrimental and substantial effects of company growth and profitability, as determined by the effective tax rate and return on investments, Tobin's Q, on tax planning. Additionally, the study demonstrates how foreign ownership has a moderating influence on ROA, which promotes tax evasion.

Tanko, (2020) examine the way in which profitability in Nigerian consumer goods companies moderates the relationship between ownership structure and corporate tax evasion. The study made use of the secondary data. The data was analysed using Generalised Least Square (GLS), which employed a random effect in the study. The analysis revealed a negative, negligible

correlation between institutional ownership and corporate tax evasion, but a positive correlation between management ownership and ETR.

Tanko et al. (2022) research investigate the connection between business qualities and tax avoidance in Nigerian listed manufacturing firms from 2011 to 2020 and was found to be moderated by managerial ownership. From the companies' financial reports and records, secondary data were taken out. The regression model's generalised Least Square (GSL) estimator was used in the investigation. Leverage was found to have a strong favourable impact on tax evasion. According to the study, board members' financial knowledge significantly and favourably affects tax planning. The study proved that management ownership significantly reduces the likelihood of tax evasion. Likewise, the link is favourably and significantly moderated by management ownership.

METHODOLOGY

Research Design

Cross-sectional data and time series survey data taken from the annual reports and accounts of the thirteen (13) commercial banks listed or quoted on the Nigerian Exchange Group floor were used in this study. The population of the study covers all the thirteen (13) commercial banks listed/quoted on the floor of the Nigerian Exchange Group. All the secondary data gathered on Effective Tax Rate (ETR), Total Assets, Total Debts, Total equity, Profitability, Age, etc are sourced from the annual report and accounts of the sampled banks. The study focused on the banking industry or subsector, utilizing all thirteen (13) listed commercial banks. Data were taken from the banks' annual reports and accounts for the years 2012 to 2023, respectively.

Model Specification

In order to provide a clear explanation of the factors that determine a firm's tax aggressiveness in Nigeria, the model utilized for this research is provided below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

Y = the dependent variable, in this case the ETR used to predict or explain the variables.

X_1, X_2, X_3, X_4 are the independent variables that were used to predict Y.

β_0 = the y-intercept of the model.

β_1, β_2, β_3, β_4 are the coefficients that represent the change in ETR associated with a one-unit change in the respective determinants of Size, Leverage, Profitability and foreign market listing.

The above relationship's a-priori expectation is that $\beta 1, \beta 2, \beta 3$, and $\beta 4 < 0$. Accordingly, the study anticipates that there will be no meaningful correlation between the corporate tax aggressiveness of the aforementioned banks and the parameters of β of the explanatory variables (Size, Lev, Prof., and FML).

Given that:

ETR = effective tax rate
Size = size of the firm
Lev = leverage
Prof = profitability
FML = foreign market listing
ϵ = the error term.

A-priori expectation of the above relationship is that $\beta_1, \beta_2, \beta_3, \beta_4 > 0$.
β_1, β_2, β_3, and β_4 are the coefficient of regression of the study whereas $\epsilon$is the error term, though, these tend to capture other important explanatory terms not vividly shown in the model specified.

Method of Data Analysis

This study used Correlation, Descriptive Statistics as well as Panel multiple regression technique as analytical tools. In the analysis of correlation between variables, the use of multiple regression methodology proved to be a powerful tool in constructing economic and business models. On their part, multiple regressions were employed to allow for the calculation of values of various coefficients with a view to justifying the relative contributions of various independent variables in predicting the dependent variables. This is done with the use of excel analysis toolpak-VBA.

Data Analysis

Table 1: Descriptive Statistics

	ETR	***FSIZE***	***LEVERAGE (Debt-to-equity)***	***PROFITABILITY***	***FML***
Mean	0.118217847	21.33501135	8.175976073	0.194548323	0.698718
Standard Error	0.00783907	0.160478976	1.213112866	0.0362704	0.036853
Median	0.110437774	21.45587468	6.809230317	0.161315167	1
Standard Deviation	0.097909958	2.004381773	15.15177484	0.453017148	0.460293
Sample Variance	0.00958636	4.01754629	229.5762808	0.205224536	0.211869
Kurtosis	3.827943254	83.2372827	139.7644164	80.88039738	-1.25119
Skewness	1.330624728	-7.815691849	11.50369984	-7.228806492	-0.87466
Range	0.705847975	23.9987882	194.4351441	6.389822137	1
Minimum	-0.134688691	0	-3.225551155	-4.576499357	0
Maximum	0.571159284	23.9987882	191.2095929	1.81332278	1
Sum	18.44198419	3328.261771	1275.452267	30.34953844	109
Count	156	156	156	156	156
Largest(1)	0.571159284	23.9987882	191.2095929	1.81332278	1
Smallest(1)	-0.134688691	0	-3.225551155	-4.576499357	0
Confidence Level(95.0%)	0.015485199	0.317008105	2.396367544	0.071648081	0.072799

Source: *Researcher's computation, 2025 (excel analysis toolpak-VBA)*

Table 1 shows the descriptive statistics for the variables. The dependent variable is ETR proxy by effective tax rate. As observed, the mean stood at 0.118, i.e. approximately 0.12. Considering that the sampled companies' average observation scores were 0.57 and 0.13, respectively, it can be inferred that they decided to participate in ETR. With a standard deviation of 0.09, there is a significant degree of variation from the mean score. With the highest and lowest observation scores of 23 and 0, respectively, the mean FSIZE of 21.33 indicates the average level of ETR. There is clustering around the mean, as indicated by the 2.0 standard deviation. The sampled companies' average leverage was estimated to be approximately 8.17 billion, based on a mean leverage of 8.18. The highest and lowest observation scores were #191.2096 billion and #-3.2256 billion, respectively. With a standard deviation of 15.15, there is a significant degree of deviation from the mean. The average profitability of the sampled companies was found to be 0.195, indicating an average return of approximately 19.5%. For profitability, the highest and lowest observation scores were 1.8133 and -0.4576, respectively. With a standard deviation of 0.4530, there is a significant degree of deviation from the mean score. With the highest and lowest observation scores of 1 and 0, respectively, the sampled companies' average FML of 0.6987 indicates that it is approximately 70%. With a standard deviation of 0.4603, there is a significant degree of deviation from the mean score. With the exception of leverage, all confidence values were negligible at 5%, indicating that the likelihood of outliers in the distribution is low. But this does not raise any red flags.

Table 2: Correlation results

	ETR	***FSIZE***	***LEVERAGE (Debt-to-equity)***	***PROFITABILITY***	***FML***
ETR	1				
FSIZE	0.203653	1			
LEVERAGE (Debt-to-equity)	-0.11244	-0.00316	1		
PROFITABILITY	0.211617	0.184828	-0.02335	1	
FML	0.237959	0.267861	-0.12949	0.32072	1

Source: *Researcher's computation, 2025 (excel analysis toolpak-VBA)*

The correlation between the independent variables of firm characteristics and the dependent variable of ETR is displayed in Table 4.2. The direction and strength of the relationships between the variables are indicated by the correlation statistics. Increases in one variable are linked to increases in the other, and vice versa, according to positive correlations. The correlation between ETR and FSIZE (r = 0.203653), LEVERAGE (r = -0.11244), PROFITABILITY (r = 0.211617), and FML (r = 0.237959) is found to be positive, while only LEVERAGE (p-value = 0.000) at 1% shows an inverse relationship.

Table 3: Regression Result

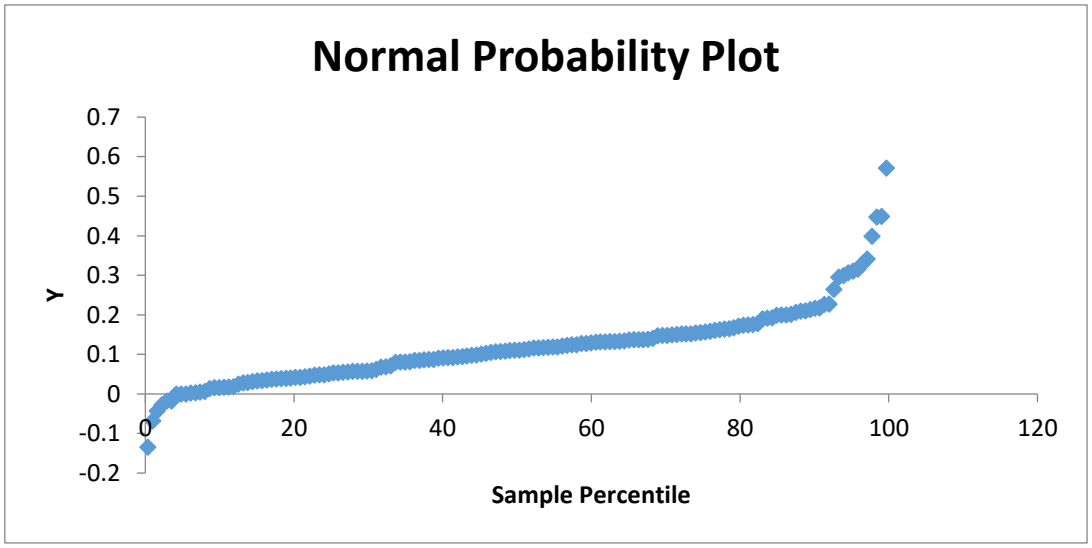
Regression Statistics	
Multiple R	0.319401
R Square	0.102017
Adjusted R Square	0.07823
Standard Error	0.094002
Observations	156

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	0.151586	0.037897	4.288672	0.002578
Residual	151	1.3343	0.008836		
Total	155	1.485886			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.04937	0.081971	-0.60231	0.547872	-0.21133	0.112587	-0.21133	0.112587
FSIZE	0.006797	0.003935	1.727455	0.086131	-0.00098	0.014572	-0.00098	0.014572
LEVERAGE (Debt-to-equity)	-0.00058	0.000503	-1.15668	0.249228	-0.00158	0.000412	-0.00158	0.000412
PROFITABILITY	0.029673	0.017703	1.676136	0.095781	-0.0053	0.064651	-0.0053	0.064651
FML	0.030843	0.017928	1.720334	0.08742	-0.00458	0.066265	-0.00458	0.066265

Source: Researcher's computation, 2025 (excel analysis toolpak-VBA)



Source: Researcher's computation, 2025 (excel analysis toolpak-VBA)

From the result presented, a positive coefficient with a significant P-value for FSIZE (0.006797, p = 0.086131) was revealed. For Leverage, it shows a negative coefficient with an insignificant P-value (-0.00058, p = 0.249228). PROFITABILITY has a positive coefficient and a significant P-value. (0.029673, p = 0.095781). Also, FML shows a positive coefficient with a corresponding significant P-value (0.030843, p = 0.08742).

Discussion of Findings

Firm Size and Aggressive Tax Avoidance Practices

The result with respect to firm size, indicates that firm size has a positive and significant values. This implies that, firm size increases the chances of aggressive tax avoidance practice. This further shows that big firms with high assets value, consider it very necessary to participate in the aggressive tax avoidance practice. Considering the susceptibility of big firms to the public scrutiny and the possibility of incurring high tax cost, it is more likely that they will participate in aggressive tax avoidance practice. Therefore, in line with the study's result on firm size, the null hypothesis,

H_{01}: *that firm size does not significantly influence aggressive tax avoidance practice is rejected.*

Meanwhile, Mgbame et al. (2017) noted in their research that firm size and tax aggression have a negative correlation; Andrey (2012) larger international corporations have a higher tax aggressiveness than smaller ones.

Leverage and Aggressive Tax Avoidance Practices

The result with respect to Leverage, indicates that Leverage has an inverse and significant values. This implies that, low leverage increases the chances of aggressive tax avoidance practice. This further shows that low leverage firms with poor liquidity value, consider it necessary to participate in aggressive tax avoidance practice. Considering the impact of exposure that poorly-leveraged firms have towards cash crises and the need to avoid high tax cost, it is more likely that they will participate in aggressive tax avoidance practice. Therefore, in line with the study result on Leverage, the null hypothesis,

H_{02}: *that Leverage does not significantly influence aggressive tax avoidance practise is rejected*

Tanko et al. (2022) found that leverage has a strong favourable impact on tax evasion. Bradley, et al. (2017) found that results are consistent with firms moving away from equity and toward increasing debt when accounting taxation is higher.

Profitability and Aggressive Tax Avoidance Practices

The result with respect to Profitability indicates that Profitability has a positive and significant value. This implies that, high Profitability increases the chances of aggressive tax avoidance practice. And the fact that high Profitability increases tax, firms may consider it more paramount to participate in aggressive tax avoidance practice. Therefore, in line with the study's result on Profitability, the null hypothesis,

H_{03}: *that Profitability does not significantly influence aggressive tax avoidance practise is rejected*

Tanko, (2020) examine the way in which profitability in Nigerian consumer goods companies moderates the relationship between ownership structure and corporate tax evasion. His

findings show a negative, negligible correlation between institutional ownership and corporate tax evasion, but a positive correlation between management ownership and ETR.

Foreign market Listing (FML) and Aggressive Tax Avoidance Practices

The result with respect to FML, indicates that FML has an inverse and significant values. This implies that, high FML lower the chances of aggressive tax avoidance practice. Therefore, in line with the study's result on FML, the null hypothesis,

H_{04}: *that FML does not significantly influence aggressive tax avoidance practice is rejected*

Conclusion

Overall, this study found that the aggressive tax avoidance practices of Nigerian listed commercial banks can be explained by the characteristics of the firms involved. This study concludes that the aggressive tax avoidance of commercial banks listed on the Nigerian Exchange Group is influenced by the characteristics of the firms, based on the estimation results. Particularly, firm profitability and foreign market listing have a negative effect on aggressive tax avoidance of Nigeria listed commercial banks, which is consistent with political cost theory and other empirical findings, while firm size and leverage have a positive impact on aggressive tax avoidance in Nigeria listed commercial banks, which is supported by theoretical and empirical findings. Furthermore, this study demonstrated that the aggressive tax evasion of Nigeria's listed commercial banks is not significantly impacted by changes in earnings. The study focuses on aggressive tax evasion among Nigerian listed commercial banks and the characteristics of the firms involved. Corporate aggressive taxation is still a topic that is receiving a lot of attention from nations all over the world, including Nigeria. Because corporate tax is a significant source of funding for the government, the Nigerian economy suffers when it is avoided. It is comparable to tax evasion, but it is allowed. This study's continued objective is to review the literature on tax aggressiveness and the corporate factors that lead to it. Panel data covering commercial banks quoted between 2012 and 2023 on the Nigeria Exchange Group was used. Corporate Tax Aggressive Avoidance (CTA) has been selected as the dependent variable in this study. The independent variables, which may serve as causes of corporate tax aggressiveness, are Profitability (PROF), Firm Size (FSIZE), Leverage (LEV), and Foreign Market Listing (FML). The variables of possibility, firm size, leverage, and foreign market listing were found to be significant factors of corporate tax aggressiveness, according to the findings. It was determined that corporate tax aggressive avoidance was negatively correlated with profitability and leverage for all the commercial banks that were taken into consideration. The results showed a significant correlation between the dependent variable (corporate tax aggressiveness) in Nigeria and the independent variables (profitability, firm size, leverage, and foreign market listing). Therefore, it is imperative that the concept be thoroughly examined due to the strong correlation that exists between corporate tax aggressiveness, foreign market listing, firm size, profitability, and leverage.

Recommendations

The following recommendations are based on these findings:

i. The firm size should be carefully calculated in compliance with regulatory agencies such as the Nigerian Deposit Insurance Cooperation (NDIC), the Corporate Affairs Commission (CAC), and the Central Bank of Nigeria (CBN).
ii. The tax authority needs to devise a disincentive program to deter tax evasion.
iii. The commercial banks that are listed in Nigeria should adopt a policy of discouraging their managers from renting out their properties, as this will lessen the likelihood of aggressive tax evasion.
iv. When examining the factors that contribute to tax aggressive practices, more consideration should be given to profitability, firm size, leverage, and foreign market listing by various stakeholders, particularly in Nigeria.

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