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FIRM ATTRIBUTES AND TAX AGGRESSIVENESS: A COMPARATIVE ANALYSIS OF COMMERCIAL BANKS IN NIGERIA AND SOUTH AFRICA

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Abstract

The study examined the influence of firm attributes on tax aggressiveness of publicly quoted Commercial Banks in Nigeria and South Africa, using firm size and firm age as a proxy of firm attribute. The study employed the longitudinal research design in a cross-country comparative analysis approach. The sample size consist of an equal sample of the 13 listed Commercial Banks firms quoted on the Nigerian Stock Exchange and 13 local Commercial Banks listed on the Johannesburg Stock Exchange, South Africa. Secondary data was used for the study as extracted from the annual reports and financial statements of the selected banks for a nine-year period of 2012-2020. The panel data were analysed using descriptive statistic, correlation and panel data regression technique which was dually estimated to capture the samples of both countries. The outcome of the Nigerian model showed that while firm age, has significant positive relationships with tax aggressiveness, firm size asserted significant negative impacts on tax aggressiveness. The outcome of the South Africa model showed that firm age has significant negative relation with tax aggressiveness, while firm size has significant positive relationships with tax aggressiveness. The study recommends, Based on the result that large banks were significantly less tax aggressive in Nigeria and highly tax aggressive in South Africa, the regulatory bodies and tax authorities of both countries should beam their searchlight on the tax saving strategies of all companies, irrespective of size, with a view to discouraging aggressive tax avoidance schemes.

Keywords: Tax aggressiveness, firm attributes, firm size and firm age

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

1.0 INTRODUCTION

One of the major challenges which face most developing countries is the diversification of their sources of revenue. Nigeria is not left out. Although richly endowed with crude oil among other solid mineral resources, her age-long dependence on oil revenue as a major source of government revenue at the expense of other possible non-oil sources of revenue has left much to be desired (Obi, 2018). The unsustainable nature of the crude oil sales became glaring owing to the unstable oil prices at the international market coupled with the periodic attacks on oil pipelines and production facilities by different militant groups which decreased the volume of oil production (Musa, Saad, & Ibrahim, 2017). As a result, governments now diversify and roll out policies to strengthen other sources of revenue, and taxation is one of such (Izevbigie & Ebohon, 2019; Nworu, 2017). Interestingly, this constitutes the major focus of this current federal government.

One of the underlying features of tax is that it is a mandatory payment enforced by government for which no immediate gain is received in return, at least in the short-run (Olaoye & Ekundayo, 2019). Thus, nobody pays tax with a grin because taxpayers instantly receive nothing identifiable in return for their contributions. This makes tax payment quite unattractive to taxpayers. As a result, individuals and corporations often devise means of decreasing their tax liabilities by using available loop holes in tax laws. At the corporate level, taxes have a direct implication on the pre-tax earnings of a company and subsequently, the distributable profits. However, unlike individual tax payers, tax management decisions at the corporate level are not made directly by the shareholders but indirectly through their agents (for instance, the management) since companies operate within the principal agent model (Chytis, Tasios & Gerantonis, 2018). This leads us to tax aggressiveness which is the major focus of this study.

There are several reasons to be concerned about the tax aggressive behaviours of the commercial banks as well as their possible determinants. Among them is the fact that the economy of every nation largely depends on a robust and effective banking system which serves as a vehicle for funds allocation among the various subsectors of the economy (Boateng, 2018). Thus, sustaining the financial health of commercial banks is considered paramount just as governments desire to

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

maximise their full tax potential. To this extent, most previous studies (Ilaboya, Obasi & Izevbekhai, 2017; Martinez & Rodrigues, 2019; Ogbeide, 2017; Zemzem & Ftouhi, 2013) suggested that varying firm attributes (such as firm size, firm age, profitability, leverage, liquidity, auditor type, firm complexity and ownership structure) played important roles in determining firms' tax management strategies as well as the level of firms' tax aggressiveness.

In relation to auditor type, all the local commercial banks in South Africa, as per year 2020, were audited by the Big4 audit firms comprising Ernst & Young, PricewaterhouseCoopers, Deloitte & Touche and KPMG, with two of the banks (Nedbank and RMB Holdings) having retained their respective external audit firms for 45 and 30 years respectively. For the same period 2020, all the current 13 commercial banks in Nigeria (except Unity Bank) engaged the Big4 audit firms. However, unlike their South African counterparts, the currently operational Nigerian Code of Corporate Governance (2018) demands that an audit firm tenure should not exceed ten (10) years at a stretch. There is the likelihood, therefore, that the behaviours of the above mentioned firm attributes on the variability of tax aggressiveness would differ between both nations based on the individual firm's peculiarities and other country-specifics. The researcher was thus motivated to embark on the comparative study between Nigeria and South Africa in a bid to expanding the existing knowledge on the cross-country determinants of tax aggressiveness from the firm-specific attributes' perspective.

Despite the inconsistencies in prior studies, it was also observed that none of the previous Nigerian studies considered the variable of 'firm complexity' to be among the possible firm attributes influencing tax aggressiveness. Researchers like Chen, Chen, Cheng and Shevlin (2010) and Pratama (2017) argued that firm complexity was among the major determinants of tax aggressive behaviours because companies with more subsidiaries or business units were more likely to have higher tax burdens. Hence, the motivation to engage in tax planning to reduce their tax burden would likely be high. Thus, considering that some of the listed commercial banks in both Nigeria and South Africa were highly complex with multiple foreign subsidiaries, there was the likelihood that the inclusion of the variable of firm complexity would expand the explanatory

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

power of tax aggressiveness determinant models. It constituted another gap in knowledge which this study intended to close.

In addition, there are no prior studies in Nigeria, to the best of the researcher's knowledge, which analysed the effect of firm attributes on tax aggressiveness and distinguished between two different countries. A cross-country analysis is becoming indoctrinated into mainstream accounting research but it is largely sparse in the area of the drivers of tax aggressiveness (see, for example, Boateng, 2018). The researcher expected that there would be joint significant differences in the tax aggressiveness of banks in the two countries; however, the behaviours of each of the proposed firm attributes on both samples could not be predicted apriori because studies on South Africa were currently non-existent. Thus, in addition to closing the earlier observed gaps in previous studies, this study equally proposed the adoption of a cross-country comparative approach between Nigerian and South African banks in a bid to expanding the existing horizons on tax aggressiveness research.

The general objective of this study was to comparatively investigate the impact of firm attributes on tax aggressiveness of quoted commercial banks in Nigeria and South Africa. However, the specific objectives were:

1. To determine the impact of firm size on tax aggressiveness of quoted commercial banks in Nigeria and South Africa.
2. To determine the impact of firm age on the tax aggressiveness of quoted commercial banks in Nigeria and South Africa.

Review of Related Literature

Tax Aggressiveness

Tax aggressiveness is generally the legal exploitation of the tax system to one's advantage in an attempt to reduce the amount of tax that is payable by means that are within the law while making a full disclosure of the material information to the tax authorities (Desai & Dharmapala, 2009). Desai and Dharmapala (2009) also defined tax aggressiveness as a transfer of value from the state to shareholders. They went further to assert that tax avoidance strategies were designed by creating information asymmetry between tax authorities and the firm so as to prevent its

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

detection by tax authorities. Wang (2010) went further to define tax aggressiveness as representing a continuum of tax planning strategies, encompassing activities that are perfectly legal and more aggressive transactions that fell into the grey area (for example, abusive tax shelters). According to Pasternak and Rico (2008), tax aggressiveness is defined as the legal utilization of the tax regime to one's own advantage, to reduce the amount of tax that is payable by means that are within the law. Annuar, Salihu and Sheikh Obid (2014) simply defined corporate tax aggressiveness as a reduction in the explicit corporate tax liabilities.

Guo (2014) considered tax aggressiveness as any activity that reduces the tax paid given the level of earnings. Tax avoidance includes any transaction that has any effect on the firm's tax burden. This includes real activities which have tax benefits, lobbying activities aimed at reducing a firm's tax burden, and activities undertaken solely for the purpose of avoiding taxes. Mughal and Akram (2012) also opined that tax avoidance could be defined as the activity of tax payers in which they tried to find out different ways to lessen or eliminate their tax liability, and not show their legal income without violating the law.

In summary, tax aggressiveness is simply said to take place within the legal context of the tax system, that is, individuals or firms take advantage of the tax code and exploit loopholes, and engage in activities that are legal but run counter to the purpose of the tax law. Usually, tax avoidance encompasses special activities with the sole purpose of reducing tax liabilities. An example of tax aggressiveness is strategic tax planning where financial affairs are arranged in such a way to minimize tax liabilities, for example, using tax deductions and taking advantage of tax credits.

Review of Determinants of Tax Aggressiveness

Firm Size

Firm size is measured as the natural log of total assets. Firm size approximates the degree of capital market frictions where transactions costs are relatively lower for larger firms (Fischer, Heinkel & Zechner 1989). Interest groups and policy makers have long drawn on average effective tax rates (ETRs) to conveniently support their arguments in tax reform debates and discussions on corporate tax provisions (Callihan 1994). The focus of the debate on corporate

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

size led to a stream of research investigating whether there was a systematic relation between firm size and annual average ETRs.

Empirical studies showed different conclusions relating to the relationship between effective tax rate and company size. Several researchers found a positive relation between ETR-based avoidance proxies and company size (Minnick & Noga, 2010; Vieira, 2013; Kraft, 2014, Ryandono, Ernayani, Atmojo, Susilowati & Indriastuty, 2020; Mihaela, Sergiu Bogdan & Vasile, 2021) which was consistent with the political cost hypothesis, meaning that large firms were characterized by higher visibility and thus subject to a greater regulatory activity (Watts & Zimmerman 1986). According to this theory, effective tax rates are a proxy for political costs for the fact that taxes paid are a means of wealth transfer from firms to other social groups. Effective tax rates are also a proxy for firms' success; therefore, if larger firms are more successful than smaller firms, larger firms would be exposed to more political scrutiny.

As larger firms are subject to deeper scrutiny from tax authorities, they become reluctant to reduce effective tax rates. Consequently, larger firms are expected to have a higher taxation burden when compared with firms which have a smaller dimension since taxes paid represent political costs which are borne by firms. Another competing theory argues that since larger firms have more power and more resources to manage taxes, it is expected that they have lower ETRs. Using a non-ETR measure of tax avoidance, Wilson (2009) similarly found a positive relation between tax shelter participation (as a proxy for particularly aggressive tax planning) and firm size.

Meanwhile, several studies concluded that ETR had a negative relation with company size (Derashid & Zhang, 2003; Richardson & Lanis, 2007). This is in line with the political power or clout theory, assuming that large firms have greater resources for lobbying and more sophisticated tax planning activities (Porcano 2006; Siegfried, 2012). Still, others found no association between ETRs and firm size (Gupta & Newberry 2007; Mills, Erickson & Maydew 2008). Gupta and Newberry (2007) stated that inconsistencies between ETR and company size were sample specific (related to sample selection), and they would not happen to companies with longer histories. This means that if the samples used are related to companies with longer

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

histories, the result would show that there are no significant relations between ETR and company size. Meanwhile, if the samples used are related to companies with shorter histories, the result would show that there are significant relations (either negative or positive) between ETR and company size.

Richardson and Lanis (2007) tested the association between firm size and ETRs in an Australian setting. For a sample of publicly-listed firms for the period 1997-2003, the authors' results were in line with the political power theory, and they posited a significant negative association between firm size measured as the natural logarithm of total assets (at book value) and ETRs. However, Richardson and Lanis (2007) also pointed to the limitations of their research design in terms of data unavailability: there was no control for foreign operations and ownership structures and it could not be said whether results would also apply to non-listed firms as there were no such firms included in the sample. Most recent studies confirmed the existence of a positive relationship between firm size and effective tax rate (Desai & Dharmapala, 2006; Richardson *et al.*, 2013; Aburajab *et al.*, 2019; Ryandono *et al.*, 2020; Mihaela *et al.*, 2021). Several authors considered effective tax rate as the most relevant measure of the ability of the company to optimize its tax burden and invariably avoid tax (Chadefaux & Rossignol, 2006).

Age of company

Generally, a theory postulates a difference between old and young firms concerning their probability to alter contractual outcomes that depend on accounting numbers. Political cost theory can be used to explain the association between the age of a company and tax avoidance. Scott (2003) argued that the older the company, the broader its business and the higher its reputational risk. Firms will tend to mitigate risks and choose actions that do not trigger higher risks. Previous research in the field of tax aggressiveness practices in Nigeria and South Africa, to the best of my knowledge, did not include age as one of the company's attributes. This research aimed to address the influence of this variable. However, from available researches reviewed by the researcher as they relates to other countries, Pratama (2017), revealed that firm age showed a positive relationship with tax aggressiveness as a proxy for ETR. It meant that the older the company, the higher the ETR in Indonesia. In another study by Fernández-Rodríguez, García-Fernández

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

& Martínez-Arias (2019), firm age was seen as an attribute that determined the tax burden of private ownership firms in Spain

Theoretical Framework

Political Economy Theory:

This study was anchored on the political economy theory as propounded by Karl Marx in 1867. The political economy theory posits that accounting systems act as mechanisms used to create, distribute and mystify power (Buhr, 1998). This theory is based on economic theories of self-interest. The emergence of pressure groups creates a threat to companies which may face increased government interventions in the form of regulatory actions which then create political costs (Uwuigbe, 2011). Companies are therefore, predicted to counter possible political costs by resorting to government lobbying and providing social responsibility disclosures (Watts & Zimmerman, 1978). Deegan (2002) described the classical political economy theory as that which tended to perceives accounting reports and disclosures as a means of maintaining the favoured position of those who controlled scarce resources (capital), and as a means of undermining the position of those without scarce capital. It focuses on the structural conflicts within society.

The usefulness of political economy theories is that they do not focus solely on the economic self-interest and wealth-maximization of the individual or corporation, instead, they consider the political, social and institutional framework within which the economic activities take place (Gray, Kouhy & Lavers, 1995).

Empirical Studies

Ryandono, Ernayani, Atmojo, Susilowati and Indriastuty (2020) examined the various factors influencing tax avoidance in the food and beverage companies listed on the Indonesian Stock Exchange for the period 2014-2016. Using profitability, size, leverage and capital intensity as factors influencing tax avoidance which was a proxy for ETR, the results revealed that

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

profitability did not influence tax avoidance, size influenced tax avoidance, leverage had no influence on tax avoidance and capital intensity provided no effect on tax avoidance. In that same year, Martinez and Rodrigues (2020) verified whether firms that operated in several different business sectors were more tax aggressive in comparison to firms that operated in a single or a few segment. Using the financial information of firms listed on the Brazilian Stock Exchange B3 in the period 2010 to 2017, and ETR (effective rate of taxation) and ETR long (long-run effective tax rates) as measures of tax aggressiveness subjected to panel regression model with fixed effect of company year and the logit model, it was observed that the more companies were diversified, the lower the probability of having low tax aggressiveness, or that more diversified companies were likely to be more aggressive, compared to companies with only one segment. Onatuyeh and Ukolobi (2020) examined the measures of tax aggressiveness as a proxy for effective tax rate (ETR) and cash tax rate (CTR), as well as corporate governance mechanisms as a proxy for board gender diversity, audit committee diligence and board independence, and the implication of those variables on the changes in external audit fees. Using a sample of one hundred and seven (107) firms quoted on the Nigerian Stock Exchange from 2009 to 2018, the study revealed that cash tax rate, audit committee diligence and board independence all exerted a positive and significant effect on audit fees. Surprisingly, the study revealed a positive but statistically insignificant link between board gender diversity and audit fees. In a related study, Onatuyeh and Odu (2019), in their study on corporate board characteristics and tax aggressiveness on manufacturing firms in Nigeria for the period 2011-2016, used proxies such as board size, board gender diversity, and board independence as board characteristics; and cash effective tax rate (CTR) as a proxy for tax aggressiveness. The result showed that both board size and board independence exerted negative and significant impacts on tax aggressiveness in manufacturing firms in Nigeria, while board gender exerted no significant effects. They opined that the insufficient number of women on corporate board membership in the firms was assumed to be a plausible reason for the insignificant effect of board gender diversity on tax aggressiveness. Amrie and Reza (2019) investigated the effect of financial constraints, investment opportunity set and financial reporting aggressiveness on tax aggressiveness. Using a sample of 88 non- financial companies listed on the Indonesian Stock

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

Exchange for the period 2011-2015, the regression data revealed that financial constraints were positively associated with tax aggressiveness, the investment opportunity set was negatively associated with tax aggressiveness and financial reporting aggressiveness was not associated with tax aggressiveness. Inua (2018) studied the determinants of corporate effective tax rates in Nigeria using a sample of 30 manufacturing companies. Secondary data as obtained from the annual accounts of the sampled companies from 2011-2016 were used. Using the panel data regression technique, the result showed that firm leverage, board independence and board size were negatively and significantly related to ETR, while firm size was negatively and non-insignificantly related to ETR. The study recommended that external board members with experience in accounting, finance and management issues should be highly encouraged as that would reduce the tax rate and bring about efficient tax practices. Salaudeen and Eze (2018) examined the Corporate Effective Tax Rates (ETRs) of non-financial firms listed on the Nigerian Stock Exchange. The study also measured the neutrality of taxation within the Nigerian economic sectors and established the relationships between ETRs and firm specific characteristics of size, leverage, profitability, capital intensity, inventory intensity, labour intensity and auditor type. Data were extracted from the financial statements of sampled firms in respect of the variables and subjected to analyses in ordinary least square (OLS), random effect and fixed effect models. The results showed that ETRs were lower than the statutory tax rate during the period of the study, and that there were differences in ETR from one sector of the economy to the other. The study further revealed that larger and more profitable firms were faced with a high tax burden while firms with high leverage were faced with a lower ETR. Also, Salaudeen and Ejeh (2018), in their study, examined the effect of ownership structure on corporate tax aggressive activities of 40 listed non- financial firms in Nigeria for the period 2010-2014. The study revealed that ownership concentration had a positive but an insignificant effect on tax aggressiveness while the effect of managerial ownership was found to be significantly negative. Further results showed that leverage was negatively related with tax aggressiveness while return on assets was positively related. Size had no significant relation with tax aggressiveness Salaudeen (2017) studied the effects of the size, the leverage, the capital intensity, the profitability, and the nature of business on tax aggressiveness of fifty-five

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

companies listed on the Nigerian Stock Exchange (NSE). The results revealed that the size, the leverage, the capital intensity, the profitability and the nature of the business negatively affected tax aggressiveness Nwaobia and Jayeoba (2017) in their study examined the effect of tax planning strategies on firms' liquidity. Various tax planning strategies were discussed but the strategies of Capital Intensity (CAPINT), Thin Capitalization (TINCAP), Lease Option (LOPT) and Industry sector incentives (IND) were selected as the independent variables. The criterion variable used was firms' liquidity measured in this study by the Current Ratio (CR) while firm size (SIZE) was adopted as the control variable. The data obtained from 154 firm- year observations were described and regression analysis was used to test the developed hypotheses. The results revealed that tax planning strategies exerted negative effects on firms' liquidity. Irianto, Sudibyo and Wafirli's (2017) study aimed to examine the factors that affected company's tax avoidance. They used several factors such as size, leverage, profitability and capital intensity. The purpose of the study was to determine the influence of firm size, leverage, profitability and capital intensity ratio on tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange from 2013-2015. The population taken as the object of observation amounted to 156 manufacturing companies listed on the Indonesian Stock Exchange in the period 2013-2015. The determination of the sample was made through purposive sampling method and it obtained a sample of 36 manufacturing companies based on certain criteria. The results showed that size positively influenced the effective tax rate while leverage, profitability and capital intensity ratio did not significantly influence the tax avoidance. Yetty, Eka and Eneng (2016) studied the role of leverage on corporate tax avoidance in Indonesia using manufacturing firms listed on the Indonesian Stock Exchange for the period 2010-2014. The study used the purposive sampling technique to select 108 firms. It used secondary data such as annual reports and accounts which were published during the observation years. The multiple linear regression equation was used and the study's results revealed that leverage did not have a significant effect on tax avoidance. Lanis, Richardson and Taylor (2015) specifically examined the relationship between corporate tax avoidance and the liquidity of a firm. The sample consisted of 200 publicly listed Australian firms over the period 2006-2010. The Ordinary Least Squares (OLS) regression model was used in the study as the basis of analysis. The result showed that liquidity

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

was significantly and positively related with tax avoidance. Mosota (2014) examined the relationship between firm size and tax aggressiveness. The period of the study was 2008-2013 and it used 61 listed companies on the Nairobi Stock Exchange. The study used Ordinary Least Square (OLS) regression Model. The result revealed that a positive relationship existed between firm size and tax aggressiveness. Akanksha, Jayant and Costanza (2013) examined the impact of corporate tax aggressiveness and the role of debt in the U.S.A. The study's sample consisted of 9,648 unique firms over the 1986-2012 period. The impact of leverage on tax aggressiveness was tested using the U.S model's predictions. The findings showed that leverage deterred tax aggressiveness. It was also evident that although leverage reduced tax aggressiveness in absolute value, it exacerbated it when the latter was measured as a proportion of the firm's pre-tax book income. It was consistent with the hypothesis that leverage could actually cause the manager to avoid more taxes in the non-bankrupt states of the world when the perceived benefits therefrom were positive.

In addition, Wilson (2009) developed a profile of the type of company that was probably engaged in corporate tax avoidance by using a set of companies which were identified by several press articles and tax court records as having participated in corporate tax shelters. He found that tax shelter firms were associated with larger differences among their book value and tax value, firm size, the existence of foreign income, and aggressive financial reporting Mastuki and Bardai (2008) studied a sample of 294 large Malaysian companies (1470 firm-years) for year 2000 to 2004. They found that real estate, trading and services and construction companies had higher ETRs, and lower ETRs were associated with highly leveraged companies and those with greater investments in fixed assets and extensive foreign operations.

The review of the Sixty-Seven (67) prior studies by both foreign and local researchers threw up some gaps in literature. Firstly, among the available published researches, none, to the researcher's knowledge, examined the effect of firm attributes on tax aggressiveness as it related to firm size, profitability, leverage, liquidity, institutional ownership, firm complexity and firm age as a whole in the Nigerian banking sector. Similarly, there is also no discoverable research which conducted a comparative analysis using the above mentioned variables between the Nigerian and South African banking sectors. Majority of the related researches which had been

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

conducted in Nigeria were largely limited to manufacturing companies and non-financial sectors (See, for example: Onatuyeh & Odu, 2019; Ifurueze *et al*, 2018; Inua, 2018; Ugbogbo *et al*, 2018; Salaudeen & Eze, 2018; Salaudeen & Akano 2018; Salaudeen & Ejeh, 2018; among others).

3.0 Methodology

Research Design

The study employs a longitudinal research design because it involves the evaluation of the behaviour of the same variables over an extended period of time. The panel nature of the data implies that the cross sectional research design is also applied because the sample objects of the study cover different firms for various years in order to determine their relationships and how significant one variable affects another.

Population of the Study

The population of the study comprised all listed financial companies in both Nigeria and South Africa. As at year ended December 2020, there were a total of fifty (50) companies listed under the financial sector on the NSE and thirteen (13) were commercial banks. Similarly and at the same period, there were a total of sixty-seven (67) financial companies in the Johannesburg Stock Exchange (JSE), out of which seventeen (17) were local commercial banks.

Sample Size and Sampling Technique

Considering the limited number of commercial banks in both countries and the need to adopt an equal sample size for the purpose of the comparative analysis, the census sampling method was employed in choosing the entire thirteen (13) commercial banks in Nigeria as the benchmark sample size, matched with an equal sample size of 13 purposively selected South African banks as shown in Table 3.1 below.

Table 3.1: Sample Size

s/n	Nigeria	South Africa
1.	Access Bank	ABSA bank
2.	Eco Bank	African Bank

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

3.	Fidelity Bank	Bidvest bank
4.	First Bank Holding	Capitec Bank
5.	First City Monument Bank	First Rand
6.	Guaranty Trust Bank	Grindrod Bank
7.	Stanbic Ibtc Holding	HBZ Bank
8.	Sterling Bank	Investec Bank
9.	Union Bank Of Nig	Mercantile bank
10.	United Bank For Africa	Nedbank
11.	Unity Bank	Rand Merchant Bank
12.	Wema Bank	Sasfin Bank
13.	Zenith Bank	Standard bank

Source: Researcher's compilation (2021)

Methods and Sources of Data

The study made use of secondary data which were sourced from the various annual reports of the sampled commercial banks deposited in the libraries and website of the NSE (www.nse.com.ng) and JSE (www.jse.co.za). The research covered a period of nine (9) financial years (2012-2020). The nine-year period was used for the estimations in order to use information from the same accounting reporting regime (that is, IFRS) – especially since Nigeria adopted IFRS in 2012 while South Africa fully commenced in 2010.

Model Specification

Analytical framework is a visual design that captures the researcher's thinking in a systematic way in order to make much sense. Firstly, the idea behind this study was formulated under the deductive approach which seeks to explain why and what causes variations in corporate tax aggressiveness. Thus, the analytical assumptions are based on the objectivist school of thought that all variables exist independently in a single social reality, but with the ability to influence certain external factors. The agency and political cost theories form the theoretical basis on which the model specifications are built.

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

The model was functionally expressed as:

Tax Aggressiveness = *f* (firm size and age)…….. …….(1)

Introducing the control variable, we had:

Tax Aggressiveness = *f* (firm size, age, auditor type)…….(2)

The general econometric model for the study was specified thus;

$BTD_{it} = \alpha + \beta_1 SIZE_{it} + \beta_2 AGE_{it} + \beta_8 BIG4_{it} + \varepsilon_{it}$ …….(3)

Where;

BTD = Discretionary (Total) Book Tax Difference, proxy for tax aggressiveness.

AGE = Firm age measured as current year less year of incorporation.

SIZE = Firm size measured as natural log of total asset.

BIG4 = Audit firm size/auditor type

α = constant.

β_1 to β_8 = the coefficient of the parameter estimate.

ε = the error term or residual.

i = ith firm for cross-section

t = time period

The model for the Nigerian banks was given as:

$BTD_{itNGA} = \alpha + \beta_1 SIZE_{itNGA} + \beta_2 AGE_{itNGA} + \beta_8 BIG4_{itNGA} + \varepsilon_{itNGA}$……..(4)

Where; NGA = Country code for Nigeria

Model for the South African banks was given as:

$BTD_{itRSA} = \alpha_0 + \beta_1 SIZE_{itRSA} + \beta_2 AGE_{itRSA} + \beta_8 BIG4_{itRSA} + \varepsilon_{itRSA}$……..(5)

Where; RSA = Country code for the Republic of South Africa

Method of Data Analysis

The data were analysed comparatively via both univariate and multivariate analyse. The descriptive statistics was first conducted in order to gain understanding of the sample characteristics of both countries as regards the selected variables. The influence of the selected firm attributes on tax aggressiveness was tested using panel regression techniques. Inferences

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

from the hypotheses were based on the model considered the most appropriate (between fixed and random effects models) based on the outcome of the Hausman's test for endogeneity. Other conventional diagnostics such as tests for multicollinearity, and heteroskedasticity were also conducted to ensure that the basic regression analysis assumptions were not violated.

4.0 Data Analysis Discussion of Results

Univariate Analyses

Table 4.1 ***Descriptive Statistics***

NIGERIA	D_BTD	SIZE	AGE	BIG4
Mean	-1.01E-18	2707354683	34.692	0.9316
Median	0.00173	1835466000	31.000	1.0000
Maximum	0.03554	10384349227	60.000	1.0000
Minimum	-0.17957	156506504	22.000	0.0000
Std. Dev.	0.02195	2339323048	10.589	0.2535
Skewness	-5.79377	1.138537	1.0713	-3.420
Kurtosis	44.9409	3.494667	2.8912	12.699
Jarque-Bera	9229.90	26.47007	22.439	686.66
Probability	0.00000	0.000002	0.0000	0.0000
Observations	117	117	117	117
SOUTH AFRICA	**D_BTD**	**SIZE**	**AGE**	**BIG4**
Mean	-0.00047	434774138.6	33.385	0.9487
Median	0.02150	38346724	27.000	1.0000
Maximum	0.86154	2532940000	69.000	1.0000
Minimum	-4.92519	572000.0	10.000	0.0000
Std. Dev.	0.47820	588115185.2	15.667	0.2215
Skewness	-9.4567	1.321459	0.4725	-4.069
Kurtosis	98.0132	4.268156	2.0707	17.554
Jarque-Bera	45752.9	41.89201	8.5646	1355.4
Probability	0.00000	0.000000	0.0138	0.0000
Observations	117	117	117	117

Source: Eviews 10 (2021)

From Table 4.1, it could be observed that the mean values of the tax aggressiveness proxy (D_BTD) stood at -1.01E-18 and -0.00047 for the Nigerian and South African samples respectively. Considering that the scientific notation of -1.01E-18 represented eighteen decimal points and the that lesser negative value was usually greater than a more negative number, it then meant that the average D_BTD of the Nigerian sample (-1.01E-18) was greater than that of the

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

South African sample (-0.00047). It implied that the Nigerian banks were more tax aggressive than their South African counterparts. According to Prawira (2017), unlike the ETR tax aggressive measures, the bigger the BTD, the bigger the company was tax aggressive.

Furthermore, the mean value of FIZE run using the raw value of total assets showed an average value of ₦2,707,354,683,000 (about $6.6 billion) for Nigerian banks and R434,774,139,000 (about $31 billion) for South African banks respectively. It meant that the South African banks had more asset base than the Nigerian banks. The maximum values of ₦10,384,349,227,000 and R 2,532,940,000,000 which are about $25 billion and $184 billion respectively showed that as at year ended 2020, Eco Bank and Standard Bank were the biggest banks in both countries based on their total asset values.

Also, the mean values of AGE showed that Nigerian banks were jointly (howbeit, marginally) older than the South African banks with the average firm age of 35yrs and 33years respectively.

On the Jarque–Bera test of goodness-of-fit, the result suggested that only the data on firm liquidity in the Nigerian sample followed a normal distribution. However, the departure from normality of the other variables did not pose any major problem in the panel data since the Central Limit Theorem revealed that the violation of the normality assumption posed no major problem in panel data analysis, especially with large firm-year observations (Ghasem & Zahediasl, 2012).

Table 4.2 Correlation Matrix

NIGERIA	D_BTD	SIZE	AGE	BIG4	SOUTH AFRICA	D_BTD	SIZE	AGE	BIG4
D_BTD	-----				D_BTD	-----			
SIZE	0.308 (0.00)*	1.000 -----			SIZE	0.075 (0.42)	1.000 -----		
AGE	-0.003 (0.97)	0.068 (0.47)	1.000 -----		AGE	0.032 (0.73)	0.043 (0.65)	1.000 -----	
\BIG4	0.491 (0.00)*	0.48 (0.00)*	0.159 (0.08)*	1.000 -----	BIG4	0.018 (0.85)	0.202 (0.03)*	-0.012 (0.90)	1.000 -----

Source: Eviews10 Output (2021)

The outcome of the correlation matrix was presented in Table 4.3. In the first part which focused on the Nigerian sample, the measures of firm age (AGE), was negatively correlated with the tax aggressive measure (D_BTD). It implied that that AGE moved in the opposite direction with D_BTD; but not significantly due to their high probability values of 0.97, for AGE. On the other

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

hand, the variables SIZE, and BIG4 had positive associations with D_BTD measure of tax aggressiveness. It meant that they all moved in the same direction with D_BTD and were all statistically significant at the 1% level (p-values < 0.01). That would be translated to mean that large (SIZE) Nigerian banks, and those that engaged the Big4 audit firms (Big4), were all associated with higher D_BTD (that is, they were highly tax aggressive).

On the other hand, the remaining variables of SIZE, AGE, and BIG4 all showed positive correlation coefficients..

It implied that in the South African setting and using the D_BTD measure of tax aggressiveness, there was the likelihood that highly leveraged and liquid banks were strongly associated with higher D_BTD, howbeit only significant at the 10% level of confidence.

Table 4.3 ***Results of Other Regression Diagnostics Tests***

	Model 1 (Nigerian banks)	**Model 2 (South African banks)**
Heteroskedasticity Test: Breusch-Pagan-Godfrey:		
F-statistics	0.181251	1.543053
Prob. F(1,114)	0.6711	0.1509
Breusch-Godfrey Serial Correlation LM Test:		
F-statistics	1.353955	0.322528
Prob. F(2,56)	0.2626	0.7250

Source: Compiled from Eviews 10 Output (2021)

Table 4.3 presented the results of the Breusch-Pagan-Godfrey heteroscedasticity test which checks for the presence/absence of non-constant variance. The decision rule is to conclude that there is no heteroscedasticity (that is, residual is homoscedastic) if the corresponding probability value of the F-statistic value is greater than 5% level. Going by the decision rule, it could be observed from the upper part of the Table that the probability values of both models stood at 0.6711 (Nigerian banks) and 0.1509 (South African banks) which showed the absence of heteroscedasticity. It meant that the residuals of the two models were homoskedastic (which is desirable) owing to the high p-values of about 67% and 15% respectively.

Similarly, the lower part of Table 4.3 showed the Breusch-Godfrey Lagrange Multiplier (LM) test for a higher order serial correlation for both samples. The outcome revealed that the hypotheses of zero autocorrelation in the residuals could not be rejected because the probability

European Journal of Business & Social Sciences
Available at https://ejbss.org/
ISSN: 2235-767X
Volume 09 Issue 11
November 2021

values of 0.2626 (26.26%) and 0.725 (72.5%) respectively for both models were greater than 5%. It meant that there was no presence of autocorrelation in the models.

Multivariate Analyses

This sub-section presented the analysis and interpretation of the two (2) panel regression models built for the purpose of this study as specified in the third chapter. The cross-country comparative nature of the study necessitated the splitting of the sample into two in order to accommodate separate analyses of Nigerian versus South African banks.

Table 4.4: ***Panel Regression Results***

Nigeria:	**Model 1 (FIXED EFFECT)**				***South Africa:***	**Model 2 (FIXED EFFECT)**		
Variables	**Coefficient**	**t-Statistic**	**Prob.**		**Variables**	**Coefficient**	**t-Statistic**	**Prob.**
C	0.363412	4.076957	0.0001		C	-8.805525	-5.858008	0.0000
SIZE	-0.024533	-4.838967	0.0000***		SIZE	0.608906	6.943236	0.0000***
AGE	0.003920	5.286258	0.0000***		AGE	-0.066576	-4.008273	0.0001***
BIG4	0.011487	1.029077	0.3060		BIG4	-0.263775	-1.184108	0.2393
R^2			0.8325		**R^2**			0.4194
Adjusted R^2			0.7976		**Adjusted R^2**			0.2984
F-stat (p-value)			23.9(0.000)		**F-stat (p-value)**			3.47(0.000)
Durbin Watson			2.3101		**Durbin Watson**			1.8889

Source: Eviews 10 (2021) NOTE: ***, **, *significant at 1%, 5% and 10% levels respectively

From Table 4.4, it could be observed that the *F*-statistic values of 23.9 (p = 0.0000) and 3.47 (p = 0.0004) for both fixed effect models (models 1 and 2) respectively were above 2.0 which indicates that both fixed effect models were statistically valid for drawing inferences from the tests at the 1% level of significance. The coefficient of determination (R-squared) of both the fixed effect models was observed to be approximately 83% and 42% respectively. It implied that the model estimated using the Nigerian sample (Model 1) had a higher explanatory power than the model estimated using the South African sample (that is, Model 2).

On the behaviour of the independent variables on the tax aggressive measure of D_BTD, it could be observed from the outcome of Model 1 that the variables SIZE, AGE. However, while SIZE had negative coefficient signs of -0.025 (p=0.000); AGE, possessed positive coefficient signs of 0.004 (p=0.0000). It implied that tax aggressiveness (D_BTD) was predicted to decrease by up to 2.5% and 0.2% when SIZE.

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

On the other hand, the significant positive coefficients of AGE, implied that, holding other variables constant, increases in AGE were predicted to trigger corresponding increasing impacts on D_BTD by up to 0.004 units. It meant that, holding other variables constant, D_BTD was predicted to increase by up to 1.7% when the proportion of institutional investors (IOW) increased by one per cent at 10% level of confidence. Going by the above results, it then meant that in the Nigerian setting and in the context of this study, larger banks and banks with a greater number of subsidiaries were associated with high tax aggressiveness. In the same vein, the older and more profitable Nigerian banks, the more tax aggressive.

Furthermore, from the second part of Table 4.4, which showed the outcome of fixed effect model 2, using the South African banks, it could be deduced that the same variables of SIZE, and AGE that were statistically significant in the Nigerian sample (Model 1) maintained the same levels of significance. However, they differed in their coefficient signs. For example, while AGE showed positive signs in the Nigerian sample, they possessed negative signs apiece in the South African result. Similarly, while SIZE was negatively related to the tax aggressiveness proxy (D_BTD) in the Nigerian sample, its effect on D_BTD turned positive using the South African sample. The implication of the model 2 result was that a one per cent increase in SIZE was predicted to lead to about 61% increase on D_BTD. Also, a unit increase in AGE was predicted to reduce D_BTD by approximately 0.07 units, all things being equal.

Test of Hypotheses

Considering that the analysis was based on a cross-border comparative study, there was the need to particularise the findings by testing the hypotheses separately in both samples/countries. Thus, the seven hypotheses were further split to separately accommodate the samples of both countries as re-stated and tested below:

Hypothesis 1:

H_{o1}a: Firm size has no significant relationship with tax aggressiveness in Nigerian banks

H_{o1}b: Firm size has no significant relationship with tax aggressiveness in South African banks.

The first hypothesis of this study stated that firm size had no significant relationship with tax aggressiveness in Nigerian (H_{o1}a) and South African (H_{o1}b) banks. The evidence provided by the

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

regression result of model 1 showed that the variable of SIZE had a negative coefficient of -0.0245 and a p-value of 0.000 which was significant at 1% level; while the outcome of model 2 showed a positive coefficient of 0.609 (p-value 0.000) for SIZE. It meant that both $H_{o1}a$ and $H_{o1}b$ were rejected as there was a significant relationship between firm size and tax aggressiveness in both Nigerian and South African banks, howbeit negatively and positively respectively.

Hypothesis 2:

$H_{o2}a$: Firm age does not significantly influence tax aggressiveness in Nigerian banks.

$H_{o2}b$: Firm age does not significantly influence tax aggressiveness in South African banks.

The study stated in the second hypothesis that there was no significant relationship between firm age and tax aggressiveness in Nigerian ($H_{o2}a$) and South African ($H_{o2}b$) banks. From the outcome of model 1, the variable of AGE had a positive coefficient of 0.004 (p-value =0.000) and in model 2, it showed a negative coefficient of -0.0667 (p-value 0.0001). Since the p-values of AGE in both models were less than 1%, there was enough evidence to reject the null hypothesis in both samples. It meant that there was a significant relationship between firm age and tax aggressiveness in both Nigerian and South African banks, howbeit positively and negatively respectively.

Discussion of Findings

As observed from the first hypothesis test, the null hypothesis that firm size had no significant relationship with tax aggressiveness was rejected in both the Nigerian and South African models. It could be observed that despite the variable of firm size being statistically significant as projected, the coefficient sign varied between both samples; negative in the Nigerian sample and positive in South Africa. However, considering the D_BTD measure of tax aggressiveness employed, the implication of the varied coefficients of firm size meant that the impact of the banks' sizes (in terms of total assets) on tax aggressiveness differed in both countries. Specifically, the significant positive sign of firm size in the South African model implied that large South African banks were highly tax aggressive while the significant negative sign in the Nigerian context implied that large Nigerian banks were less tax aggressive. The observed difference in the direction and implication of the above result was expected since, going by the average total assets of the banks in both countries as presented in Table 4.1, the sampled South

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

African banks (on average) were about five-times bigger than the sampled Nigerian banks taken together ($31 billion on average vs. about $6.6 billion respectively). The outcome of the Nigerian result was in tandem with the political cost theory, and it also supported the results of most prior studies including those by Atu *et al* (2018), Rani *et al* (2018), Irianto *et al* (2017), Ogbeide (2017), Pratama (2017), Ugbogbo *et al* (2018), Salaudeen and Akano (2018) and Zemzem and Ftouhi (2013) which all found that firm size was positively and significantly related with ETR, and could be translated to mean that large firms were less tax aggressive. Despite the fact that the South African result contradicted our apriori expectation that large firms were less tax aggressive since they were exposed to higher scrutiny by tax authorities, they had reluctance to reduce effective tax rates; the positive relationship tended to the political power or clout theory, assuming that large firms had greater resources for lobbying and more sophisticated tax planning activities (Siegfried, 2012). It was also evident in this study as the South African banks (on the average) were about 5-times bigger than the Nigerian banks. Hence, the incentive for aggressive tax planning was more for extremely large firms. On the other hand, some other researchers like Inua (2018) and Salaudeen and Ejeh (2018) did not find any significant relationship between the size of firm and its tax aggressive behaviour, although the reason for the non-significance of their result could be attributed to the measurement of tax aggressiveness employed (ETR) and the sector they studied (non-financial firms) which were both different from the methodology of this study.

On the second hypothesis, the independent variable of firm age showed positive coefficient sign in the Nigerian model and a negative coefficient in the South African model. The probability values were both statistically significant which led to the rejection of the split null hypothesis two in both models. Similar to the result of firm size, the impact of firm age on tax aggressiveness differed in both countries due to the varying coefficient signs. The implication of the firm age result was that older Nigerian banks had higher D_BTD (that is, were more tax aggressive) while older South African banks had lower D_BTD, meaning they were less tax aggressive. The difference in the result of firm age was not expected since the average age of the sampled banks in both countries was relatively the same at 35years and 34 years respectively. However, although the South African result was in tandem with the apriori expectation of a

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

negative sign, it negated the outcome of most prior studies including those by Fernández-Rodríguez *et al* (2019), Ogundajo and Onakoya (2016) and Pratama (2017) which showed evidence that the older the company, the higher the tax aggressiveness in Spain, Nigeria and Indonesia respectively. On the other hand, the findings pertaining to Nigeria supported the above mentioned studies and equally the political clout theory which assumed that older firms usually had all the connections and resources for lobbying and were more likely associated with sophisticated tax planning activities than newer firms. Hence, older banks in Nigeria had the tendency to exploit aggressive tax management in order to remain relevant in the industry.

5.0 CONCLUSION AND RECOMMENDATIONS

Conclusion

Recent occurrences such as the dwindling prices of crude oil in the global market have grossly threatened Nigeria's major source of government revenue. Resultantly, government's attention has since shifted to taxation and other sources of government revenue as a means of boosting revenue generation for the financing of government's expenditures. Company income tax is considered very vital in augmenting the size of tax revenue generation as it captures the taxes of all incorporated entities in the country. While government's efforts to foster greater compliance through tax reforms may not have yielded the desired optimal results due to tax avoidance strategies of corporations, researchers have increased the enquiry into the determinants of firms' level of tax aggressiveness.

Both univariate and multivariate analyses were performed. The descriptive analysis showed that, in terms of the average total assets (size) of the banks, the South African banks were about 5-times bigger than the Nigerian banks; while the Nigerian banks were, on average, more tax aggressive than their South African counterparts. For the purpose of selecting the model for making inferences to the research hypotheses, the outcome of the Hausman test suggested the suitability of the fixed effect over the random effect technique for both models. Relying on the preferred models for the hypotheses tests, the result showed that among the seven firm-attributes

ISSN: 2235-767X
Volume 09 Issue 11
November 2021

that made up the independent variables of the study, two (firm size, and age) appeared uniformly significant in both samples apiece by way of their significance levels, but varied in terms of the coefficient signs. Specifically, in the Nigerian sample, a strong relationship was found among firm size, firm age, and tax aggressiveness; while in the South African sample, the same variables of firm size and firm age were statistically significant.

Based on the above outcomes, it could be summarised that within the context of this study, firm size, and firm age were the major firm-specific determinants of tax aggressiveness in both the Nigerian and South African banking sectors. Thus, in terms of the impact of firm attributes of tax aggressiveness in Nigerian and South African banks, the major variables of interests in both climes were size, and age.

Recommendations

In view of the findings and conclusions drawn from the results of the study, the following recommendations were proffered by the study:

i. Based on the result that large banks were significantly less tax aggressive in Nigeria and highly tax aggressive in South Africa, the regulatory bodies and tax authorities of both countries should beam their searchlight on the tax saving strategies of all companies, irrespective of size, with a view to discouraging aggressive tax avoidance schemes.
ii. The notion that older firms have higher reputational risks and would resort to less-risky tax management practices did not hold in the Nigerian context as older banks were found to be highly tax aggressive. Since the older banks had all the connections that could be deployed to conceal sophisticated tax planning activities, regulators should increase their monitoring in that regard to reduce potential tax evasions while encouraging appropriate tax saving strategies and greater tax compliance.

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Volume 09 Issue 11
November 2021

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