

Effect of Board Characteristics on Corporate Tax Aggressiveness Among Quoted Financial Services Companies in Nigeria

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ABSTRACT: The study examined the effect of board characteristics on corporate tax aggressiveness among quoted financial services companies in Nigeria. The study specifically examines the influence of board independence, board size, and board financial expertise on corporate tax aggressiveness. Secondary data were collected from the annual reports of listed financial services companies on the Nigerian Exchange Group (NGX) covering the period 2014–2023. Panel regression analysis using a fixed effect model was employed to analyze the data. The results reveal that board independence ($\beta = 0.3767$, $p < 0.05$) and board size ($\beta = 0.0285$, $p < 0.05$) significantly increase tax aggressiveness, suggesting that larger boards and higher independence do not necessarily curb aggressive tax practices in the Nigerian context. Conversely, board financial expertise ($\beta = 0.0818$, $p > 0.05$) exhibits no significant effect, implying that specialized financial knowledge does not moderate tax behaviour. The findings highlight weak corporate governance effectiveness in constraining opportunistic tax strategies. It is recommended that regulators strengthen board monitoring mechanisms, enforce stricter corporate governance codes, and encourage ethical tax practices to enhance compliance and fiscal sustainability in Nigeria.

KEYWORDS: Board Financial Expertise, Board Independence, Board Size, Tax aggressiveness.

INTRODUCTION

Corporate tax aggressiveness the deliberate reduction of explicit tax burdens through planning structures that range from compliant optimization to positions that stretch legal boundaries remains central to fiscal capacity debates in Nigeria. Despite ongoing reforms, Nigeria's tax-to-GDP ratio was still among the lowest in Africa in 2022 (about 7.9%), underscoring persistent revenue gaps that heighten regulators' sensitivity to avoidance behavior in large, visible sectors such as banking, insurance, and other financial services (OECD, 2024). The institutional setting places boards of directors at the heart of firms' tax posture. Since the Nigerian Code of Corporate Governance (NCCG) 2018, listed companies are required to "apply and explain" how board composition, independence, expertise, and oversight mechanisms promote accountability and ethical conduct. For banks and other prudentially regulated institutions, the CBN's 2023 Corporate Governance Guidelines further codify expectations on board structure (including minimum numbers of independent non-executive directors), committee competencies (notably audit and risk), and director nomination processes raising the compliance bar for financial services boards. These frameworks collectively increase the visibility and potential consequences of aggressive tax stances for directors, especially where reputational, regulatory, and litigation risks are salient (FRCN/NCCG, 2018; CBN, 2023).

From a governance-tax nexus perspective, the international and Nigerian literature since 2021 emphasizes that board independence can restrain aggressive tax behaviour by strengthening monitoring and aligning managerial actions with long-term stakeholder interests. Recent evidence on Nigerian deposit money banks (2012–2022) shows that board characteristics materially correlate with banks' tax aggression measures, highlighting the salience of independence and the structure of board committees in shaping tax strategy (Ugwu, 2024). Complementary cross-country work documents that boards with greater independence and stronger oversight features are associated with higher effective tax rates (i.e., lower avoidance), though effects depend on industry regulation and enforcement intensity (Pavlou et al., 2025; Salehi et al., 2024). These findings situate Nigerian financial firms subject to intensive regulation and scrutiny as contexts where board design can meaningfully discipline CTA.

Board size can work in two directions: larger boards may bring diverse expertise that improves compliance oversight; they can also suffer coordination frictions that dilute monitoring. Recent Nigerian bank evidence finds board size to be a significant predictor of tax behaviour, consistent with the idea that too-small boards may lack the bandwidth for complex tax oversight, while overly large

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boards risk collective action problems (Ugwu, 2024). Financial expertise on the board directors with accounting/audit/tax backgrounds should, in theory, sharpen scrutiny of aggressive positions and the quality of tax risk controls; contemporaneous Nigerian governance studies stress the growing importance of audit committee competence within the NCCG/CBN regime (CBN, 2023).

In recent years, the issue of tax aggressiveness has gained considerable attention in both academic and policy-making circles due to its implications for government revenue, corporate governance, and overall economic development. Tax aggressiveness, which involves the use of strategies to minimize tax liabilities within the confines of the law or through questionable practices, directly undermines the ability of governments to generate sufficient revenue for infrastructural development, social services, and economic stability. In Nigeria, where tax revenue accounts for a relatively small proportion of Gross Domestic Product (GDP) compared to global averages, corporate tax aggressiveness among quoted companies, particularly in the financial services sector, poses a significant challenge to fiscal sustainability. The Federal Inland Revenue Service (FIRS) has consistently reported cases of revenue leakages arising from corporate tax avoidance strategies, which in 2022 alone were estimated to cost Nigeria over ₦20 trillion in unremitted taxes and aggressive tax practices (FIRS, 2022).

Despite regulatory reforms aimed at improving tax compliance and enhancing transparency in corporate governance, the persistence of aggressive tax strategies suggests potential weaknesses in board oversight and governance structures. Board characteristics, such as independence, gender diversity, financial expertise, and size, are expected to play a crucial role in curbing or encouraging aggressive tax behaviour. However, empirical evidence remains inconclusive, with some studies suggesting that effective board monitoring reduces tax aggressiveness, while others argue that larger boards or those with entrenched interests may facilitate aggressive tax planning to maximize shareholder value.

In Nigeria's financial services sector, which contributes significantly to GDP and national tax revenues, the effect of board attributes on tax aggressiveness has not been sufficiently explored. This raises critical concerns about whether the composition and functionality of corporate boards in this sector promote ethical tax practices or, conversely, encourage aggressive tax minimization strategies.

HYPOTHESES

- H₀₁:** Board Independence have no significant effect on tax aggressiveness of quoted financial services companies in Nigeria.
H₀₂: Board Size have no significant effect on tax aggressiveness among quoted financial services companies in Nigeria.
H₀₃: Board Financial Expertise have no significant effect on tax aggressiveness among quoted financial services companies in Nigeria.

LITERATURE REVIEW

Concept of Tax Aggressiveness

According to Chen, Chen, Cheng and Shevlin (2010), tax aggressiveness is defined as the effort of the company to minimize tax payments using aggressive tax planning activities and tax avoidance. Frank, Lynch and Rego (2009) averred that the aggressive tax returns are the manipulation to lower tax income due to a kind of tax planning that can be considered as tax management. This concept may have multiple conceptualizations, references and even different ways to measure, but most of them have the same meaning and the same purpose but differs in their repercussions on the companies' health. Tax aggressiveness can be seen as simple trigger tax management activities that are used for tax planning and have an arrival point for tax evasion. Bruce, Deskins and Fox (2007) reported that the tax aggressiveness seen by their fervent as a set of actions taken by companies to reduce their public debts from shaping and affecting only their scheme financial strategy. Aggressive tax represents different handling activities to lower taxable income that can be legal or illegal. At this stage, we can consider that tax aggressiveness is a strategy deployed by managers, a set of processes, practices, resources and choices whose objective is to maximize income after all company's liabilities owed to the state and other stakeholders.

Concept of Board Independence

Another key attribute of the board of directors which has the potential to influence the way organizations are run is board independence. Literature has defined board independence in terms of non-executive (outside) and executive (inside) directors (Ribeiro, 2015). Previous studies have reported conflicting findings on the effect of board independence on cash effective tax rates. For instance, Zhou (2011), Lanis and Richardson (2011), Khaoula and Ali (2012) and Oyenike et al., (2016) obtained results showing that board independence improves tax practices. In other words, board independence increases cash effective tax rates. This could be attributed to better monitoring by non-executive directors which deny managers the opportunity to engage in opaque activities

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aimed at lowering cash effective tax rates for their own personal gain. Other studies such as Pratama (2017) have found an insignificant effect of board independence on cash effective tax rate.

Concept of Board Size

Dozie (2003) defined board size as the number of members that form the board. There is no agreed number of members that make up an ideal board size. There have been diverging opinions by various researchers on the number of persons that should make up an ideal board. Some schools of thought are of the opinion that a small board is more effective because it enhances fast decision making and cannot be manipulated by management. Dozie (2003) also argued that a smaller board may be less encumbered with bureaucratic problems, more functional and is able to provide better financial reporting oversight. Some of the disadvantages associated with a large board are high cost of coordination and delay in passing information. It is also associated with weak monitoring. Dalton et al. (1999) argue that a large board is overcrowded and hence does not give room for each member's input; it is also less organized and unable to reach a decisive conclusion on time. The study measured the board size by the number of directors serving on such boards and expected this to have a negative relationship with financial performance.

Concept of Board Financial Expertise

This simply means a member or members of the board possess accounting knowledge sufficient to ensure that management comply with specified accounting standards. This is based on the fact that specialized knowledge allows expert directors to provide valuable advice while simultaneously monitoring managers. Consistent with the advising function, firms whose board of directors have high levels of accounting expertise are associated with higher levels of tax planning. Consistent with the monitoring function, firms with higher levels of accounting expertise on the board are associated with a lower likelihood of engaging in risky tax planning.

Empirical Review

Odunsi et al (2024) investigated the effect of board attributes on tax aggressiveness among listed manufacturing firms in Nigeria. Ex-post facto design was employed in the study with secondary data being gathered from published annual reports of these companies from 2012 up to 2021. The study concluded that board expertise significantly affects tax aggressiveness in these companies. Consequently, it suggested that the Federal Inland Revenue Service (FIRS) need to promote transparency in tax reporting by encouraging companies to disclose their tax planning strategies, particularly given the significant influence of larger boards of directors on tax behaviour. This can be achieved by establishing detailed tax reporting standards that explicitly define acceptable and unacceptable tax practices, particularly concerning tax planning. Also, FIRS should promote board education on tax-related matters by organizing workshops and regular training sessions tailored to board members, focusing on the latest tax policies, compliance obligations, and tax planning strategies.

Imuetinyan et al. (2023) undertook a study to investigate the association between board qualities and tax planning in Nigerian corporate entities. They specifically examined several board attribute factors such as board independence (BIND), board size (BSIZ), and gender diversity (GDIV) to determine their impact on tax planning. The study examined eighty-five non-financial companies registered on the Nigerian Stock Exchange (NSE) between 2016 and 2020. Using panel least squares regression analysis and Eviews 9.0 econometric software, the researchers discovered that board independence (BIND) had a negative and statistically insignificant connection with tax planning (TAXP). In contrast, board size (BSIZ) and gender diversity (GDIV) showed a positive and substantial relationship with tax planning (TAXP). The findings highlight the necessity of thoroughly examining the impact of board size (BSIZ) and gender diversity (GDIV) on tax planning in Nigerian enterprises. The study suggests that future research should place a strong emphasis on these elements when investigating board characteristics in connection to tax planning in Nigerian corporate situations. While the study used suitable statistical procedures for data analysis, it is worth noting that the research was conducted in 2023 and the data analyzed only went up to 2020. As a result, the study has to be updated to reflect Nigeria's current economic trends.

Sylvester and Nkechi (2022) undertook a study to investigate the association between corporate board qualities and tax aggression among listed non-financial enterprises in Nigeria. The study covered a population of 114 non-financial enterprises with a purposive sampling technique selecting seventy-five (75) firms based on data availability. Secondary data obtained from audited yearly financial reports from 2012 to 2021 formed the basis of analysis. Utilizing panel least squares regression and favouring fixed effect regression for results interpretation with Eviews 10 econometric software, the researchers found several significant findings. Board independence, expertise, and the CEO's nationality were positively and significantly associated with tax aggressiveness in listed non-financial firms in Nigeria. Conversely, board size and board meetings exhibited negative and insignificant effects on tax aggressiveness, while board gender diversity showed a positive but insignificant impact. The study's recommendations include encouraging non-financial firms to increase the presence of independent directors on their boards, as they are perceived to

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influence tax management strategies and contribute meaningfully to tax aggressiveness. Moreover, the emphasis on larger board sizes should be discouraged due to their insignificant effect on tax aggressiveness. Furthermore, the study proposes reducing the frequency of board meetings, which was found to have no significant effect on tax aggression in Nigerian non-financial enterprises. This study employed appropriate statistical tools for data analysis and benefited from being conducted in 2023, with data covering up to 2021, thereby reflecting current economic trends in Nigeria.

Adi, Ibrahim and Gudi (2022) examined the effect of selected board attributes on tax aggressiveness of quoted manufacturing companies in Nigeria. The study examines the combined effect of female directors and board financial expertise on tax aggressiveness of quoted manufacturing companies in Nigeria. Tax aggressiveness was measured using effective tax rate while female directors and financial expertise were measured using proportion of female directors on the board to the total number of board size and number of directors with financial expertise to the total number of board size on the board respectively. This study uses the longitudinal research design. The population of the study is the entire listed manufacturing companies in the Nigerian stock exchange. The sample size of twenty-two were selected. Data were sourced from the annual financial statements of the companies for the period (2011-2020). The data was analyzed using multiple regression analysis technique. The result of the study shows that female directors have negative and insignificant effect on tax aggressiveness. However, the study finds statistical evidence which suggests that boards financial expertise has significant effect on tax aggressiveness in the manufacturing sector.

Mappadang (2019) analyzed the mechanism of corporate governance as measured by independent commissioners, institutional ownership, and the board of commissioners on tax avoidance which has implications for company value. Population of this research from manufacture industries. Total sample are 87 companies and 435 objects in the period 2013-2017 with purposive sampling method. The results of statistical analysis using PLS-SEM. The results shown in the direct effect path that is corporate governance mechanism is a significant factor in influencing company value in a positive direction, otherwise different results shown by corporate governance mechanisms that are has a negative significance to tax avoidance and tax avoidance has a positive significance to the value of the firm. This study also examines the indirect effect (indirect effect) where the results of the analysis show the mechanism of corporate governance has a positive significance to the firm value when mediated by the variable tax avoidance.

Luai, Bassam, Monther and Malek (2019) examined the relationship between Board of Director's characteristics and tax aggressiveness. Taxes are considered an additional cost to the firm and its shareholders because these taxes reduce the available cash flow. Firms tend to employ different tax aggressiveness techniques. Aggressive tax planning or strategic tax behaviors are activities generally designed to reduce tax liability that includes Tax evasion, Tax evasion and legitimate saving of taxes. This study is the first in Jordan which tests the relationship between Board of Director's characteristics (Board Duality, Board Composition and Board Independence) on tax aggressiveness. Based on a sample of 140 Jordanian firms during the period 2013-2017, this study used regression analysis to examine the effect of board composition, board independence, CEO duality, return on assets (ROA) and firm size on the tax aggressiveness. The study found that there is a negative relationship between board composition and board independence from one side, and the tax aggressiveness from the other side. This study was done in Jordan while the current study is in Nigeria and there are differences in legal, governance and economy between these countries that makes the findings of the former study ineffective for purpose of decision making in the Nigerian context.

Onatuyeh and Odu (2019) provided empirical evidence on whether corporate board characteristics such as board size, board gender diversity, and board independence are significantly associated with tax aggressiveness amongst manufacturing firms in Nigeria. Leaning on the agency theory and to achieve the above objective, a sample of forty-nine (49) manufacturing firms listed on the Nigeria stock exchange (NSE) as at December 2016 was examined. Data for the study were obtained solely from annual financial statements of the studied firms for the period 2011 to 2016. The econometric model adopted for the study was estimated using panel data regression approach with a preference for the fixed effect model based on the result of the Hausman test. Results of the study show that both board size and board independence exert negative and significant impacts on tax aggressiveness in manufacturing firms in Nigeria, while board gender exerts no significant effects. Although, this study is rich it was done in the manufacturing sector while the current study was conducted in the financial sector because the findings in the manufacturing sector cannot be used to replicate the financial sector. The study also, did not include firm attributes, audit attributes like the current study.

Uniamikogbo, Bennee and Adeusi (2019) investigated the effect of corporate governance on tax aggressiveness in Nigeria. Specifically, four variables; gender diversity, board size, CEO duality, and ownership structure were used as proxy for Corporate Governance while Cash effective tax rate was used to represent Tax aggressiveness in the Oil & Gas marketing firms in Nigeria. The population of study consists of all Oil & Gas marketing firms listed on the Nigerian Stock Exchange as at 31st December 2017. The entire population was adopted as the study sample using the census sampling approach. The secondary source of data collection

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method was used in generating data from the annual reports and accounts of the selected firms for the period 2013- 2017. Data generated were analysed using descriptive statistics and Ordinary Least Square (OLS) regression. Findings from the study showed that a positive and significant relationship exists between gender diversity, board size and tax aggressiveness while a negative but significant relationship subsists between CEO duality and tax aggressiveness. Negative and insignificant relationship exists between ownership structure and tax aggressiveness in the Nigerian Oil & Gas marketing firms. This study was done in the oil and gas sector while the current study is on the financial services companies.

THEORETICAL FRAMEWORK

Agency Theory: This research uses agency theory as the basic theory. This theory has been widely used in the field of accounting and management. In general, this theory describes the relationship between the principal party (owner) and the agent (manager). This theory states that the agent will behave self-interested and contrary to the interests of the principal (Jensen & Meckling, 1976; Eisenhardt, 1989). Thus, the principal will apply structural mechanisms that can monitor agents in order to control the opportunistic behavior of agents and align with the interests of all parties better (Fama & Jensen, 1983; Eisenhardt, 1989). Agency theory explains the existence of two options for principals to reduce agency problems in order to control opportunistic behavior of agents (Eisenhardt, 1989).

The first way is to create a governance structure that allows monitoring and assessment of the actual behavior of agents (Anderson & Reeb, 2004; Chrisman, 2007). This governance structure includes reporting procedures, additional management, and board of directors (Donaldson & Davis, 1991). The second way is to create a governance structure where the contract is based on the actual results of agency behavior (Eisenhardt, 1989). An example of this type is salary in the form of incentives, where salaries are given as incentives for high performing agents (Chrisman, 2007). The risk is transferred to the agent and this way can create motivation for the agent to behave in accordance with the principal's interests (Davis et al., 1997; Eisenhardt, 1989). The bottom line of both ways, the principal can make a choice between building a governance structure based on the agent's actual behavior or providing incentives based on the outcome of agent behavior (Eisenhardt, 1989). Both options are generating agency costs that the principal must bear for monitoring and assessing agency behavior.

Also, the agency theory is the main theoretical framework for the vast majority of research on corporate governance. It defines the problem of interest's divergence that represents a crucial subject to all economic entities due to the separation of ownership and control. The agency conflicts arise from the separation of ownership and management, performed by the firm's CEO, which leads to a loss of value for shareholders. The nature and extent of agency conflicts can affect the level of tax aggressiveness. Researches call for more studies to examine tax aggressiveness in an agency context (Scholes *et al.*, 2005; Desai & Dharmapala, 2006; Lanis & Richardson, 2012). There are particular potential agency costs recognized as rent extraction by CEOs as an additional income between tax aggressiveness and accounting manipulation (Desai & Dharmapala, 2006). However, in the concentrated ownership structures, an agency problem mainly arises between block-holders and minority shareholders. The block-holders, interested by the protection of their own interests and supported information's asymmetry, aren't concerned by protecting the interests of minority shareholders. In this context, Chen *et al.* (2010), reports that ownership structure, are likely to be significant and may affect the level of tax aggressiveness.

It can be possible that the agency theory does not provide a full and adequate explanation of the association between corporate governance and tax aggressiveness. Specifically, agency theory focuses on the link between managers and shareholders, while corporate social responsibility (CSR) and stakeholder theories focuses on the relationship between firm and many other stakeholders such as tax authorities, political groups, employees, customers and the public in general. Contrary to the agency theory that print out shareholders' governance model drawing a unique relationship established between shareholders and CEOs or between block-holders and minority shareholders, the partnership approach is presented as a broader vision based on a partnership model, which includes all stakeholders of the company. Thus, the transposition of these studies of tax aggressiveness in the Nigerian context must be made in accordance with the specifics of the context. Recent research Richardson *et al.* (2013) suggest that the characteristics of management and the board of directors play a key role in determining the propensity of companies to engage in activities of tax aggressiveness and from another perspective, Chen *et al.* (2010) conclude that family firms are less tax aggressive than non-family firms, renouncing tax activities to avoid the cost of a potential market-price reduction.

Furthermore, the relevance of the Agency Theory in explaining the relationship between corporate governance mechanisms and effective corporate tax rates is best seen in the study conducted by Desai and Dharmapala (2006) in which they found that managers may use cash effective tax rates to mask their rent extraction activities. They argue that shareholders should discourage tax aggressiveness as part of managing agency problem. Similarly, Desai et al. (2007) observe that opportunistic managers usually structure the company in such a way as to reduce corporate taxes for their private gain.

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METHODOLOGY

This study adopted descriptive ex-post facto research design and a positivist or quantitative research philosophy. The population of this study consist of all 52 financial services companies quoted on the Nigerian Exchange Group as at 2024. Also, the companies sampled are considered to have available and accessible annual reports that covered the study time frame. This brought the number of sampled companies to thirty-seven (37). This study collected from secondary source only. Specifically, data were extracted from the published financial statements of financial services companies, covering a period of ten (10) years from 2015 to 2024.

This study employed panel regression technique of data analysis because technique is consistent with studies that combine cross-sectional and time-series data.

Functional Form

$$CTA = f(BI, BZ, BFE) \quad (1)$$

Testable Form

$$CTA_{it} = \alpha + \beta_1 BI + \beta_2 BZ + \beta_3 BFE + \mu_{it} \quad (2)$$

Where

CTA = Corporate Tax Aggressiveness

BI = Board Independence

BZ = Board Size

BFE = Board Financial Expertise

α = constant

it = firm *i* in time *t*

μ = error term.

$\beta_1, - \beta_3$ = coefficients

Table 1: Measurement of Variables

Variables	Type of variable	Measurement	Sources
Tax Aggressiveness	Dependent	Effective tax rate measured as cash taxes paid divided by operating cash flow. $CFETR = \frac{\text{cash taxes paid}}{\text{operating cash flow}}$	Onatuyeh and Odu (2019); Ogbeide (2017); Tandean and Winnie (2016).
Board Size	Independent	measured by the number of executive and non-executive directors on the board	Adebiyi (2017); Holtz and Neto (2014); Chalaki, Didar and Riahinezhad (2012).
Board Independence	Independent	measured by the proportion of independent non-executive directors on the board	Alvas (2014); Hassan and Bello (2013); Akeju and Babatunde (2017).
Board financial Expertise	Independent	Measured by the proportion of directors on the board with financial expertise.	Gray and Nowland (2015); Güner, Malmendier and Tate (2008);

Source: Researchers' Computation, 2025.

RESULTS AND DISCUSSION OF FINDINGS

Table 2: Descriptive Statistics

	Mean	Max	Min	Std.Dev.	Skew	Kurt	Obs
CTA	0.161859	1.700000	-1.89774	0.400169	-0.97844	10.96698	370
BI	0.635516	1.000000	0.250000	0.118467	-0.61624	3.611896	370
BZ	8.756757	16.00000	4.000000	2.389060	0.694994	3.211188	370
BFE	0.335196	0.714286	0.000000	0.107075	0.255514	3.880598	370

Source: E-Views Output 2025

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Table 2 presents the descriptive statistics for the variables used in the study, covering 370 firm-year observations. The results provide insights into the general patterns and variability in corporate tax aggressiveness (CTA) and board characteristics among the sampled financial services companies. The mean value of corporate tax aggressiveness (CTA) is 0.1619, with a maximum of 1.70 and a minimum of -1.8977, suggesting significant variation across firms. The standard deviation of 0.4002 indicates that CTA levels fluctuate widely among the companies. The negative skewness (-0.9784) implies that most firms exhibit relatively lower levels of tax aggressiveness, while a few highly aggressive firms distort the distribution. The high kurtosis value of 10.967 indicates the presence of outliers, further confirming the tendency of some firms to adopt extreme tax positions.

Board independence (BI) has a mean of 0.6355, implying that on average, about 63% of the directors in the sampled firms are independent. This exceeds the 50% independence threshold often recommended by good governance codes, suggesting that financial firms in Nigeria maintain relatively strong independence in board composition. The variable is negatively skewed (-0.6162), meaning that more firms cluster at higher independence levels. The average board size (BZ) is 8.76 members, with a minimum of 4 and a maximum of 16. The standard deviation of 2.389 shows moderate variability. This aligns with the Nigerian Code of Corporate Governance, which recommends a board size between 5 and 20. The positive skewness (0.695) indicates that larger boards are more common, while kurtosis (3.211) suggests a distribution close to normal.

Board financial expertise (BFE) has a mean of 0.3352, meaning that roughly 33.5% of board members possess accounting, finance, or related professional expertise. The maximum value is 0.7143, showing that no firm has more than 71% financial experts on the board. The standard deviation (0.1071) indicates relatively low dispersion, suggesting consistency across firms. The distribution is slightly positively skewed (0.256), implying that more firms have relatively lower financial expertise, with a few exhibiting higher concentrations.

Table 3: Correlation Matrix

Covariance Analysis: Ordinary Correlation				
Probability	CTA	BI	BZ	BFE
BI	0.195340 0.0002	1.000000		
BZ	0.135370 0.0091	0.344426 0.0000	1.000000	
BFE	-0.142956 0.0059	-0.199353 0.0001	-0.699571 0.0000	1.000000

Source: E-Views Output 2025

The correlation analysis in Table 3 provides insights into the relationships among corporate tax avoidance (CTA), board independence (BI), board size (BZ), and board financial expertise (BFE). The results indicate that board independence (BI) is positively correlated with corporate tax avoidance (CTA) ($r = 0.1953$, $p < 0.01$), suggesting that firms with a higher proportion of independent directors tend to engage more in tax avoidance strategies. This finding is somewhat surprising, as independent directors are generally expected to provide effective oversight and curb aggressive tax practices. However, it aligns with arguments that independent directors may prioritize shareholder wealth maximization, which tax savings could enhance.

Board size (BZ) shows a positive and significant correlation with CTA ($r = 0.1353$, $p < 0.05$). This implies that larger boards are more likely to support tax avoidance activities. The result may reflect the fact that larger boards bring diverse expertise and connections, which may facilitate complex tax planning. However, overly large boards could also dilute monitoring effectiveness, indirectly encouraging tax-aggressive behavior.

Interestingly, board financial expertise (BFE) has a negative and significant correlation with CTA ($r = -0.1429$, $p < 0.01$). This indicates that firms with more financially skilled directors are less likely to engage in tax avoidance. Financial experts on boards likely possess better knowledge of compliance requirements, risk implications, and reputational concerns associated with aggressive tax practices, thereby discouraging such behavior.

The inter-correlations among governance variables also provide useful insights. Board independence (BI) and board size (BZ) are positively correlated ($r = 0.3444$, $p < 0.01$), suggesting that larger boards often have more independent members. On the other hand, board financial expertise (BFE) is negatively related to both BI ($r = -0.1993$, $p < 0.01$) and BZ ($r = -0.6995$, $p < 0.01$), implying that as boards increase in size and independence, the proportion of financial experts tends to decline. This trade-off could undermine the effectiveness of governance mechanisms in curbing tax avoidance.

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Table 4: Variance Inflation Factors

Variable	Coefficient Variance	Centered VIF
BI	0.033539	1.277684
BZ	0.000282	4.365779
BFE	0.128072	3.985703

Source: E-Views Output 2025

Table 4 presents the results of the Variance Inflation Factor (VIF) test for the explanatory variables (Board Independence, Board Size, and Board Financial Expertise). The VIF values help to detect the presence of multicollinearity, which arises when independent variables are highly correlated, potentially distorting regression estimates. A general rule of thumb suggests that a VIF value above 10 indicates severe multicollinearity, while values between 5 and 10 suggest moderate multicollinearity.

From the results, Board Independence (BI) recorded a VIF of 1.277684, which is far below the threshold, indicating no multicollinearity concern. Board Size (BZ) has a VIF of 4.365779, which, although higher than BI, still falls below the critical value of 10, suggesting that the variable is moderately correlated with others but does not pose a serious multicollinearity problem. Similarly, Board Financial Expertise (BFE) shows a VIF of 3.985703, also below the threshold, confirming its suitability for inclusion in the regression model without risk of significant distortion.

Table 5: Fixed Effect Result of the Analysis

Dependent Variable: CTA				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BI	0.376666	0.149793	2.514570	0.0124
BZ	0.028524	0.013065	2.183224	0.0297
BFE	0.081781	0.272673	0.299923	0.7644
R-squared	0.616639			
Adjusted R-squared	0.571812			
F-statistic	14.36590			
Prob(F-statistic)	0.000000			
Durbin-Watson stat	2.431414			

Source: E-Views Output 2025

The fixed effect regression result presented in Table 5 shows the effect of board independence (BI), board size (BZ), and board financial expertise (BFE) on corporate tax avoidance (CTA). The model yielded an R-squared of 0.6166 and an adjusted R-squared of 0.5718, indicating that about 57% of the variation in corporate tax avoidance is explained by the selected board characteristics. The F-statistic (14.37, $p < 0.001$) further confirms that the model is jointly significant, while the Durbin–Watson statistic (2.43) suggests the absence of autocorrelation in the residuals, strengthening the robustness of the estimates.

The results show that board independence (BI) has a positive and statistically significant relationship with corporate tax avoidance ($\beta = 0.377$, $p = 0.0124$). This implies that firms with a higher proportion of independent directors are more likely to engage in tax avoidance. The finding aligns with recent studies that suggest independent directors may not always constrain opportunistic behaviors but may sometimes support aggressive tax strategies that maximize firm value (Boadi & Osarfo, 2022; Ofori-Sasu et al., 2023). In emerging markets, independent directors often lack the institutional strength to curb managerial opportunism, which could explain their association with higher tax avoidance (Amin et al., 2023).

Similarly, board size (BZ) is positively and significantly related to corporate tax avoidance ($\beta = 0.029$, $p = 0.0297$). This suggests that larger boards are associated with higher levels of tax avoidance. Larger boards may provide diverse expertise and networks that can be leveraged to identify and exploit tax planning opportunities (Nguyen et al., 2022). However, the result also supports the argument that larger boards may face coordination challenges, which can reduce their effectiveness in monitoring management and instead facilitate aggressive tax planning (Alkurdi & Mardini, 2020).

In contrast, board financial expertise (BFE) shows a positive but statistically insignificant relationship with corporate tax avoidance ($\beta = 0.082$, $p = 0.7644$). This indicates that while directors with financial expertise may possess the technical skills to design or detect complex tax strategies, their presence does not significantly influence corporate tax avoidance within the sampled firms. This outcome is consistent with prior evidence that the mere presence of financial experts on boards does not automatically

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translate into more effective oversight of tax practices, especially in contexts where institutional enforcement mechanisms are weak (Yuniarta et al., 2021; Musallam & Mardini, 2022).

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of board characteristics on corporate tax aggressiveness of quoted financial services companies in Nigeria. The findings revealed that board independence and board size significantly influence corporate tax aggressiveness, while board financial expertise does not exert a significant effect. Specifically, the positive relationship between board independence and tax aggressiveness suggests that independent directors may align with management in adopting aggressive tax strategies to maximize firm value, consistent with the agency theory's perspective on shareholder wealth maximization. Similarly, the positive and significant effect of board size on tax aggressiveness implies that larger boards may encourage tax planning practices that reduce effective tax liabilities, thereby freeing resources for reinvestment. On the other hand, board financial expertise showed no significant effect, suggesting that mere possession of financial knowledge on the board does not automatically translate to a restraint or encouragement of aggressive tax strategies.

Based on the findings, this study makes the following recommendations. First, regulatory authorities such as the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) should review corporate governance codes to strengthen the role of independent directors, ensuring that their presence enhances oversight rather than facilitates opportunistic tax behaviour. Second, financial services companies should optimize their board size to balance the benefits of diverse perspectives with the risks of excessive coordination that may promote tax aggressiveness. Third, firms should invest in continuous training for board members, especially those with financial expertise, to ensure that their knowledge is applied in strengthening compliance and ethical tax practices rather than in exploiting loopholes. Finally, policymakers should develop stricter disclosure requirements for tax planning activities to improve transparency, reduce excessive aggressiveness, and align corporate behaviour with national fiscal objectives.

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