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Corporate Monitoring Mechanisms and Tax Sheltering Amongst Listed Non-Financial Firms in Nigeria: A Panel Data Analysis

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Abstract

There are major issues with accountability, transparency, and ethical tax procedures related to the corporate monitoring systems and tax dodging tactics used by Nigerian listed non-financial companies. In view of this, this study examined the relationship between corporate monitoring mechanisms and tax sheltering strategies of listed non-financial firms in Nigeria. However, the specific objectives were to ascertain the relationship between audit committee size and effective tax rate of listed non-financial firms in Nigeria, to establish the relationship between board independence and effective tax rate of listed non-financial firms in Nigeria and to investigate the relationship between CEO duality and effective tax rate of listed non-financial firms in Nigeria. The study adopted an ex-post facto research design and utilized a panel data of two hundred and forty (240) pooled observations gathered from twenty (24) listed non-financial firms in Nigeria over ten (10)-year period (2013-2022). The study also employed descriptive statistics tools and panel multiple regression technique to analyze the data via E-views 10.0 statistical package. The study findings revealed that audit committee size has a significant negative relationship (Coeff. = -0.374976{0.0439}) with effective tax rate of listed non-financial firms in Nigeria. It also revealed that Board independence has a significant negative relationship (Coeff. = -0.284378{0.0016}) with effective tax rate of listed non-financial firms in Nigeria while CEO duality has an insignificant positive relationship (Coeff. = 0.920980{0.2153}) with effective tax rate of listed non-financial firms in Nigeria. The Prob (F-statistics) of 0.000510 suggests that audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria have a combined significant effect on effective tax rate (ETR) at 5% significance level. It was however concluded that corporate monitoring mechanisms play a crucial role in shaping tax sheltering strategies and other tax related activities among listed non-financial firms in Nigeria. The recommendations made included that non-financial firms in Nigeria should ensure they have robust and adequately sized audit committees as this will provide effective oversight of financial and tax-related activities.

Keywords: *Effective tax rate, audit committee size, Board independence, CEO duality*

1.0 Introduction

Nigeria's economy has grown quickly over the years, with institutional changes and happenings. Consequently, the nation's stock exchange has seen significant growth, demonstrating the existence of several non-banking companies looking for outside investment (Dada, 2016). But this expansion has also raised questions about the governance procedures and tax mitigation techniques these companies use. According to Onyali and Okafor (2018), corporate governance systems are important for non-financial enterprises' financial operations. For this reason, it is essential to comprehend these systems and tactics in order to guarantee responsibility, openness, and compliance with tax laws. In order to safeguard the interests of stakeholders and shareholders, corporate monitoring systems are crucial (Obidike, Emeni, Ofuru & Simon-Oke, 2020). According to Odukoya, Oladeji, and Adeleke (2015), these methods seek to minimize conflicts of interest and lessen institutional issues across listed corporations in Nigeria by closely examining the choices and actions of management. In listed firms, where ownership is divided and control is separated, opportunistic behavior is more likely due to the presence of effective monitoring measures (Ezejiofor & Ezenwafor, 2020). Conversely, tax sheltering tactics are legal actions performed by businesses to reduce their tax obligations by taking advantage of tax law gaps or aggressively preparing their taxes (Fagbemi, Olaniyi & Ogundipe, 2019). According to Fagbemi, Olaniyi, and Ogundipe (2019), tax planning is a valid strategy for minimizing tax obligations, but excessive and unethical tax sheltering actions can compromise the integrity of the tax system and cost governments money.

It is necessary to look into the interaction between corporate monitoring systems and tax sheltering tactics in the particular context of listed non-financial enterprises in Nigeria because of the possible connections between them. Globally, a great deal of study has been done on this subject. These studies are: Ogbodo and Abusomwan (2021), Edwin and Victor (2019), Ogbeide and Osaretin (2018), Onyali and Okafor (2018), Mappadang, Widyastuti and Wijaya (2018), and Ezejiofor and Ezenwafor (2020). But there are special potential and challenges in the Nigerian setting, which calls for a thorough analysis. Because of this, the current study emphasizes the gap in the literature by drawing on previously published work as well as theoretical foundations from resource dependence theory and institutional theory. This research study aims to add to the body of knowledge on corporate governance and taxation in Nigeria by illuminating the connections between tax sheltering strategies and corporate monitoring mechanisms. Additionally, it seeks to offer insights that can help policymakers, regulators, investors, and other stakeholders devise practical plans for bolstering good governance and reducing tax evasion in Nigeria's listed non-financial firms.

Statement of the problem

There are major issues with accountability, transparency, and ethical tax procedures related to the corporate monitoring systems and tax dodging tactics used by Nigerian listed non-financial companies. Regulation-related pressures from formal laws and regulations enforced by the government and tax authorities might influence how businesses handle their taxes, according to Onyali and Okafor (2018). The use of tax sheltering techniques and the absence of efficient corporate monitoring systems in listed non-financial enterprises in Nigeria might have far-reaching and coordinated detrimental effects, claim Umeh, Okegbe, and Ezejiofor (2020). Businesses frequently pay less in taxes when they use aggressive tax planning strategies or take advantage of legal loopholes. This implies that the government will be able to collect less tax money overall, which will have an effect on vital public services and impede economic growth. In addition, the employment of tax evasion techniques and insufficient corporate oversight protocols may weaken shareholder confidence in publicly traded non-

banking companies. Companies are expected to perform morally and responsibly to the public, employees, shareholders, and customers (Etuk & Akpan 2023,Chytis, Tasios & Filos, 2020; Etuk & Ibok 2024).

The corpus of research on tax management strategies and company governance is expanding. These include research conducted by, among others, Hoseini, Gerayli, and Valiyan (2018) in Iran; Chytis, Tasios, and Filos (2020) in Greece using multiple databases; Ogbodo and Abusomwan (2021); Edwin and Victor (2019); Ogbeide and Osaretin (2018), Onyali and Okafor (2018), Mappadang, Widyastuti and Wijaya (2018), Uniamikogbo, Bennee and Adeusi (2019), Oyenike, Olayinka, and Emeni (2016) in Nigeria; and several others. These studies offer predictions about the relationship between tax sheltering techniques and corporate monitoring procedures that defy common sense. Some indicate a negative correlation, while others document a favorable effect. These discrepancies may have resulted from earlier researchers' use of various surrogates, methods, study areas, and instruments. This present study seeks to address this gap by utilizing Institutional theory to provide a comprehensive understanding of the factors influencing tax management decisions and the effectiveness of monitoring mechanisms with particular emphasis on audit committee size, board independence, CEO duality and firms' effective tax rate.

Objectives of the study

The main objective of this study was to examine the relationship between corporate monitoring mechanisms and tax sheltering strategies of listed non-financial firms in Nigeria. However, the specific objectives were to:

1. To ascertain the relationship between audit committee size and effective tax rate of listed non-financial firms in Nigeria
2. To establish the relationship between board independence and effective tax rate of listed non-financial firms in Nigeria
3. To investigate the relationship between CEO duality and effective tax rate of listed non-financial firms in Nigeria

Research questions

The research questions for this study were:

1. What effect does audit committee size have on effective tax rate of listed non-financial firms in Nigeria?
2. To what extent does board independence affect effective tax rate of listed non-financial firms in Nigeria?
3. How does CEO duality affect effective tax rate of listed non-financial firms in Nigeria?

Research hypotheses

The following hypothesis were formulated for this study;

Ho_1: There is no significant relationship between audit committee size and effective tax rate of listed non-financial firms in Nigeria

Ho_2: There is no significant relationship between board independence and effective tax rate of listed non-financial firms in Nigeria

Ho_3: There is no significant relationship between CEO duality and effective tax rate of listed non-financial firms in Nigeria.

Scope of the study

This study examined the relationship of corporate monitoring mechanisms and tax sheltering strategies of non-financial goods firms in Nigeria listed on the floor of the Nigerian Exchange Group for the period of 10 years; from 2013 to 2022. A sample of 24 non-financial

firms were however drawn from 3 sectors (Industrial goods, conglomerates and health care) listed on the Nigerian Exchange Group. The independent variable (corporate monitoring mechanisms) was proxied by audit committee size, board independence and CEO duality while the dependent variable (tax sheltering strategies) was proxied by effective tax rate.

Significance of the study

This present study on corporate monitoring mechanisms and tax sheltering strategy of listed non-financial firms in Nigeria will be beneficial to various stakeholders. Here are some of the stakeholders who will benefit from the findings of this study:

Investors: Investors, both individual and institutional, will benefit from this study as it provides insights into the effectiveness of corporate monitoring mechanisms in Nigerian firms. They can assess the risks associated with tax sheltering practices and evaluate the overall governance and risk management practices of these firms.

Regulators and policymakers: This study will be valuable for regulators and policymakers responsible for formulating and implementing corporate governance and tax policy in Nigeria. It will assist in identifying areas where improvements are needed in order to create a more transparent and accountable business environment.

Auditors and accounting professionals: The study's insights can be useful for auditors and accounting professionals who play a crucial role in ensuring financial reporting accuracy and compliance with tax laws. Understanding the impact of monitoring mechanisms on tax sheltering strategies can help auditors identify potential red flags and improve their assessment of tax risks during the auditing process.

Corporate boards and management: By understanding the relationship between corporate monitoring mechanisms and tax sheltering strategies, boards can make more informed decisions about their monitoring practices. This knowledge will help them enhance their governance structures, oversight, and internal control systems, ultimately leading to better compliance with tax regulations and reducing the risks associated with tax sheltering.

Academics and Researchers: The study can also be beneficial to academics and researchers in the fields of corporate governance, taxation, and accounting. Researchers will build upon these findings and explore other related topics to deepen our understanding of the interaction between governance mechanisms and tax avoidance practices.

2.0 Review of related literature

Conceptual framework

The conceptual relationships among the variables are depicted in figure 2.1 below;

Corporate monitoring mechanisms (Independent variable) — Tax sheltering strategies (Dependent variable)

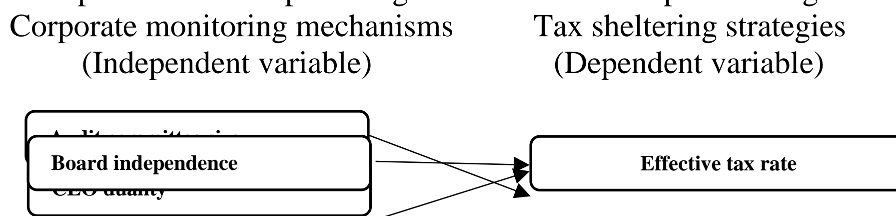

Fig 2.1: Conceptual framework of variables

Source: Researcher’s compilation (2024)

Corporate monitoring mechanisms

Corporate monitoring mechanisms encompass the several protocols and procedures implemented to guarantee efficient supervision, management, and responsibility within an organization. The purpose of these systems is to oversee and direct the conduct of business

leaders and directors, with the aim of fostering ethical behavior, transparency, and shareholder value. The board of directors' role is one crucial component of corporate monitoring systems. Ogbeide and Osaretin (2018) assert that the Board of Directors is in charge of supervising and directing management operations on behalf of shareholders and serves as the primary oversight mechanism within a corporation. The main responsibilities of the board, which is often made up of independent directors unaffiliated with the management of the business, are to represent the interests of shareholders and offer unbiased monitoring (Etuk, & Ibok 2024). Nevertheless, other monitoring mechanisms include executive compensation and incentives, internal control systems, external auditors, and regulatory authorities (Zalata & Roberts, 2016). Through the active involvement of independent directors, audit committees, and other mechanisms, these monitoring practices help mitigate agency conflicts, promote transparency, and foster corporate integrity (Chytis, Tasios & Filos, 2020).

Together, these safeguards seek to reduce agency conflicts, make sure the business complies with legal and ethical requirements, and match the interests of executives with those of shareholders. On the other hand, Ogbeide and Osaretin (2018) pointed out that different businesses and sectors may find different corporate monitoring systems to be beneficial. As a result, corporate monitoring systems are essential for guaranteeing that businesses act in the best interests of their owners.

Audit committee size

One important component of corporate governance that can affect how well a company's supervision and control systems work is the audit committee's size (Etuk , Ibok & Ukpong 2024). The extent of monitoring and oversight of tax-related operations can be affected by the size of the audit committee in the context of tax sheltering tactics. Numerous countries' audit committee sizes and tax evasion tactics have been the subject of empirical research. Agbebi, Yusoff, Oyedokun, and Oladele (2016), for example, found that larger audit committees were linked to a decreased risk of using tax sheltering tactics in their study on listed non-financial enterprises in Nigeria. This implies that a bigger audit committee size could improve the oversight and control over tax-related matters, which would lessen the likelihood of aggressive tax planning.

More members on the audit committee may facilitate better oversight and decision-making. A broader committee can analyze tax-related issues more thoroughly and critically because it will likely have a wider range of skills, knowledge, and competence (Agbebi et al., 2016). This may result in more responsibility and openness for tax planning efforts as well as a more circumspect attitude toward aggressive tax avoidance or evasion. Additionally, a larger audit committee may offer improved shareholder interest protection and representation. It can serve as a safeguard against potential conflicts of interest and opportunistic behavior on the part of management with regard to tax planning techniques (Odukoya, Oladeji & Adeleke, 2015).

Board independence

A corporate board that is free from outside pressures and conflicts of interest is said to be board independent. It guarantees that board members can decide impartially and with the company's and its stakeholders' best interests in mind. Board independence may have an impact on the effective tax rate of Nigerian listed non-financial companies when it comes to tax dodging tactics. Particularly in the Nigerian context, there is a dearth of research on the connection between tax avoidance tactics and board independence. Studies carried out in other nations, however, shed light on this connection. The presence of independent directors on a board can enhance the effectiveness of corporate oversight, including tax-related decision-

making. Independent directors bring objectivity and a diversity of perspectives to discussions concerning tax planning and compliance. They are less likely to have personal or business interests that could compromise their ability to make independent judgments (Ogbodo & Abusomwan, 2021). This can help ensure that tax strategies are aligned with ethical and legal standards. As an example, Hoseini, Gerayli, and Valiyan (2018) and Chytis, Tasios, and Filos (2020) found that firms with more independent boards tend to have lower effective tax rates.

CEO duality

A governance system known as "CEO duality" is one in which a single person serves as both the company's chairman of the board and its CEO. Both benefits and drawbacks of this power concentration may affect a company's operations in many ways, such as its tax policies and effective tax rate. According to research by Ezejiofor and Ezenwafor (2020), CEO duality affects tax planning for food and beverage companies in Nigeria positively and is an important factor. This implies that there might be less accountability and inspection when one individual handle both the executive and monitoring responsibilities, which could result in less-than-ideal tax governance procedures.

According to Rezaei and Azimi (2015), one possible connection between CEO duality and the effective tax rate is the absence of independent scrutiny. The CEO may be freer to use tax planning techniques that reduce tax obligations if there are fewer checks and balances. Lower effective tax rates for non-financial businesses in Nigeria could arise from this. The real impact, however, may differ based on other elements including market dynamics and corporate governance procedures, and it is crucial to remember that not all businesses with CEO duality participate in aggressive tax planning (Ezejiofor & Ezenwafor, 2020). On the other hand, there might be advantages to CEO duality for tax management. CEOs with dual responsibilities may be in a better position to create more effective tax strategies due to their thorough awareness of the operational and strategic facets of the organization. According to Ijeoma and Ezejiofor (2013), these tactics can lower tax burdens, improve competitiveness, and increase company performance.

Tax sheltering strategies

Legitimate techniques that businesses employ to reduce their tax obligations while staying within the bounds of tax rules and regulations are known as "tax sheltering strategies." Utilizing particular tax laws, credits, deductions, exemptions, and incentives are some of these tactics (Odukoya, Oladeji & Adeleke, 2015). The current effective tax rate at any one time is a reflection of the outcomes of various techniques. Tax sheltering tactics can be utilized by listed non-financial enterprises in Nigeria to lawfully lower their effective tax rate and increase their after-tax profits. Although it is difficult to locate particular studies on tax sheltering tactics used by Nigerian businesses, general taxation literature findings and concepts can provide insight into these activities.

Utilizing tax advantages offered by the government is one popular tax evasion tactic. Tax incentives are frequently introduced by governments to support specific industries or endeavors that advance economic development. To be eligible for these incentives, which include tax cuts for investing in particular sectors of the economy or geographical areas, businesses can strategically organize their operations (Hulland, Rabinovich & Grewal, 2018). Within multinational organizations, income shifting is another tactic to consider. According to Umeh, Okegbe, and Ezejiofor (2020), this entails assigning earnings to low-tax jurisdictions or utilizing transfer pricing strategies to move money to subsidiaries situated in nations with more benevolent tax regimes.

Effective tax rate

An essential metric for evaluating a company's tax burden in relation to its pre-tax profits is the effective tax rate, or ETR. The ETR may be impacted by corporate monitoring systems used by Nigerian listed non-financial companies in the context of tax avoidance tactics. By ensuring accountability, transparency, and adherence to tax compliance standards, these techniques assist lower the likelihood of potential tax evasion or avoidance. The existence of an independent audit committee or board of directors is one corporate monitoring instrument that may have an impact on the ETR. According to Nwaorgu, Oyekezie, and Abiahu (2020), these oversight committees are in charge of checking financial statements for accuracy and conformity with tax legislation, including tax requirements. They can dissuade aggressive tax planning and the adoption of dubious tax sheltering techniques with their close inspection.

Furthermore, robust internal controls related to tax functions can help prevent inadvertent errors, reduce the risk of non-compliance, enhance the accuracy of tax calculations, and ultimately impact the ETR. External audit also plays a crucial role in corporate monitoring, as external auditors provide an independent assessment of a company's financial statements, including the tax provisions and disclosures (Zalata & Roberts, 2020).

Corporate monitoring mechanisms and effective tax rate

Understanding the effect of corporate monitoring mechanisms on tax management practices requires taking into account the relationship between these mechanisms and the effective tax rate (ETR) of listed non-financial firms in Nigeria. Examples of these mechanisms include audit committee size, board independence, and CEO duality. The size of the audit committee can affect the ETR by giving it greater capacity and knowledge to manage tax-related issues. Numerous current research, including those by Uniamikogbo, Bennee, and Adeusi (2019) and Ogbodo and Abusomwan (2021), indicate that larger audit committees are linked to better tax compliance and less aggressive taxation. Greater specialization made possible by a larger committee provides for a more thorough examination of tax positions and may discourage the employment of aggressive tax sheltering techniques.

Another important factor that might impact the ETR is board independence, which is the percentage of independent directors on the board. Tax avoidance and evasion are less likely when decision-making is conducted impartially and objectively by independent directors. A negative correlation was shown by Ogbeide and Osaretin (2018) between tax aggressiveness and board independence. Increased board independence improves oversight and monitoring, which raises the possibility of lowering the ETR and improves tax compliance. Positive effects of CEO duality extend to tax management. CEOs with dual responsibilities may be in a better position to create more effective tax strategies due to their thorough awareness of the operational and strategic facets of the organization. According to Ijeoma and Ezejiofor (2013), these tactics can lower tax burdens, improve competitiveness, and increase company performance.

Theoretical framework

The nexus between corporate tax mechanisms and tax sheltering strategies cannot be established without some theoretical underpinnings. These theories include Resource dependency theory and Institutional theory.

Resource Dependence Theory by Pfeffer and Salancik (1978)

Resource Dependence Theory, propounded by Jeffrey Pfeffer and Gerald Salancik in 1978 focuses on how organizations manage their dependence on external resources. This theory is applicable to understanding the corporate monitoring mechanisms and tax sheltering strategies of listed non-financial firms in Nigeria. According to Resource dependence theory,

organizations seek to minimize their reliance on external entities by acquiring and controlling critical resources (Pfeffer & Salancik, 1978). In the case of non-financial firms in Nigeria, these resources can include tax incentives, government contracts, and public trust. One aspect of resource dependence in this context is the reliance on tax incentives or exemptions offered by the government. Non-financial firms in Nigeria may employ tax sheltering strategies to minimize their tax liabilities and preserve resources for other purposes. These strategies can help reduce their dependence on external sources and enable them to utilize resources effectively (Zalata & Roberts, 2016). In the context of tax management, an effective governing board can discourage aggressive tax sheltering strategies to maintain relationships with stakeholders and ensure responsible tax practices. Collaboration and social exchange are also significant within the Resource Dependence Theory framework. Non-financial firms in Nigeria may engage in tax sheltering strategies to maintain collaborative relationships with the government and tax authorities. These practices can be seen as a reciprocal exchange of resources, where firms comply with certain tax regulations in exchange for continuous access to tax incentives or other benefits (Omesi & Appah, 2021). Through these networks, firms can acquire information and resources related to tax management, influencing their tax sheltering strategies.

Institutional theory by Meyer and Rowan (1977)

Institutional theory, propounded by John Meyer and Brian Rowan in 1977, focuses on how organizations conform to and are influenced by social and institutional norms. This theory is relevant for understanding the corporate monitoring mechanisms and tax sheltering strategies of listed non-financial firms in Nigeria. Organizations are molded by outside factors, such as society conventions, expectations, and laws, according to institutional theory (Meyer & Rowan, 1977). In order to maintain compliance with institutional norms, these outside forces have an impact on organizational behavior and decision-making, including tax management strategies and corporate oversight procedures. In Nigerian listed non-financial companies, the institutional environment has a significant influence on the tax sheltering tactics employed. According to Oluseyi, Oladejo, and Solomon (2019), these organizations react to demands made by a range of stakeholders, including the government, tax officials, investors, customers, and the general public.

To maintain legitimacy and avoid sanctions or reputational damage, firms develop tax sheltering strategies that align with prevailing institutional norms and expectations regarding responsible tax practices. One key aspect of institutional theory relevant to this research is isomorphism, which refers to the tendency of organizations to mimic or adopt similar structures and practices as their peers in order to gain acceptance and legitimacy. In the context of tax sheltering strategies, non-financial firms in Nigeria may engage in mimetic isomorphism, where they imitate the tax practices of other successful firms in their industry. This imitation can be driven by the desire to conform, gain legitimacy, or simply reduce uncertainty (Agbebi *et al.,* 2016). This theory highlights isomorphism, regulative, normative, and cognitive pressures as key factors shaping firms' tax practices. To maintain legitimacy, firms adopt tax sheltering strategies that align with institutional norms, while implementing corporate monitoring mechanisms to assure stakeholders of their compliance with legal and ethical tax obligations.

Empirical review

Alabi and Adekunle (2023) explored the impact of ownership concentration on tax aggressive behavior in Nigerian non-financial firms. The sample for this study comprised 109 firms. Descriptive and influential statistics were employed to analyze the data. The findings

revealed a positive relationship between ownership concentration and tax sheltering strategies. Data collected from 2013 to 2022 demonstrated that firms with concentrated ownership structures tend to engage in more aggressive tax planning activities.

Okoro and Nwabueze (2022) conducted a study to examine the relationship between CEO duality and tax avoidance strategies in Nigerian non-financial firms. The sample size for this study consisted of 114 firms. The researchers utilized the General Method of Moment to test their hypotheses. The empirical analysis, based on firm-level data collected from 2012 to 2021, found a positive association between CEO duality and higher levels of tax sheltering practices. This suggests that firms with combined CEO and board chair roles are more likely to engage in tax avoidance activities.

Ojo and Ibrahim (2022) investigated the association between audit committee characteristics and tax risk management strategies in Nigerian listed companies. The sample consisted of 112 listed companies. Multiple regression analysis was employed to analyze the data. The results, based on firm-level data ranging from 2012 to 2021, indicated a significant impact of certain audit committee attributes on tax sheltering practices. This suggests that boards with specific characteristics, such as independence and expertise, play a crucial role in managing tax risks effectively.

Ogbodo and Omonigho (2021) investigated the relationship between corporate governance and tax avoidance of quoted consumer goods firms in Nigeria. The sample was purposively drawn from all the consumer goods manufacturing firms of the NSE. Data were obtained from annual reports and accounts of the quoted companies. The study used both descriptive and inferential statistics to analyse the data. From the analysis, the study found that there is a positive relationship between board size, CEO duality and effective tax rate of quoted consumer goods manufacturing firms, and this relationship is not statistically significant. Since an overly large board size may not improve the efficiency of decisions, the firm should maintain optimum board size level and not exceed the sufficient number necessary to drive the company through its vision.

Ogbodo and Abusomwan (2021) examined the relationship board structure and corporate tax aggressiveness in listed Nigerian firms. Specifically, board size (BDS), board independence (BDIND) and board ownership (BDOWN) are examined as indicators of board structure. A sample of 80 firms was then used for the analysis. In this study, secondary data, by way of annual reports and accounts of the sampled companies in Nigeria and some relevant NSE fact books were used to collect data for 2010-2019. The effect of board structure on tax aggressiveness was analyzed using panel regression. The estimation results reveal that BDIND, BDS and BDOWN all have a negative coefficient and significant at 5% suggesting that an increase these board structure variables results in a reduction in the tax paid/ pre-tax income ratio and this implies an increase in tax aggressive practices.

Ezejiofor and Ezenwafor (2020) determine the effect of CEO duality on the effective tax rate of quoted foods and Beverage companies. Ex-post facto research design was adopted. A purposive sampling technique was applied in selecting nine (9) companies during the data collection process. Data were collected from annual reports and accounts of the sampled companies from 2013-2019. Data for the study analyzed using descriptive statistics and regression was used with aid of the e-view was at 95% confidence at five degrees of freedom. The result shows that CEO duality was significant and had a positive coefficient on tax planning of food and beverage companies in Nigeria. The study, therefore recommended that non-separation of CEO from Chairman of the Board may lead to higher levels of tax planning;

and an opportunity for manager's rent extraction, because of their dominating role to ensure that adequate oversight roles are separated.

Nwaorgu, Oyekezie and Abiahu (2020) examined the effect of corporate tax on the sustainable financial performance of listed firms in Nigeria, specifically the listed manufacturing firms. The study employed ex post facto research design using data from 10 listed manufacturing firms. The data span across 5 years ranging from 2013-2017 and were analyzed using simple linear regression. Findings from the study revealed that corporate tax payment has no significant effect on the return on equity of firms. Further findings revealed a positive and significant effect of corporate tax payment on the debt-to-equity ratio of the listed firms.

Oyeshile and Adegbie (2020) evaluated the effect of corporate tax planning on the financial performance of Quoted food and beverages firms in Nigeria, with a population comprising 15 quoted food and beverages firms on the Nigerian Stock Exchange for ten years (2008-2018). The study employed ex-post facto research design. The data were analyzed using descriptive and influential statistics. The findings revealed that corporate tax planning variables of effective tax rate, capital intensity and thin capitalization do not have a significant positive effect on financial performance of a quoted food and beverages firm in Nigeria. The analysis revealed that all proxies of corporate tax planning practices do not significant effect on return on capital employed of quoted food, and beverages firm in Nigeria

Umeh, Okegbe and Ezejiofor (2020) determined the effect of tax planning on firm value in quoted consumer goods firms in Nigeria. Ex-post facto research design was adopted for the study. A sample size 21 of firms was selected based on availability of the financial statement of the selected firms from the population of all the non-financial quoted on the Nigeria Stock Exchange. Data for the study will be obtained from annual published financial of the non-financial covering a period of ten years from 2009-2018. Ordinary lease square regression was used to test the three formulated hypotheses with the aid of E-View 9.0. This study found that Effective tax rate (ETR) to impact negatively on firm value, but this impact was statistically significant. However, the study found that, book tax difference (BTD); impact positively on firm value, but this impact was not statistically significant.

Fagbemi, Olaniyi and Ogundipe (2019) examined the effect of corporate tax planning and financial performance of Systemically Important Banks (SIBs) in Nigeria. The study adopted the ex-post facto research design. The sample comprised of eight SIBs in Nigeria. The study used secondary data; obtained from annual reports of the SIBs. The data were analysed using the Pooled OLS technique. The results show that ETR had a negative and significant effect on ROE.

3.0 Methodology

This present study adopted an *ex-post facto* research design. The study population comprised of 26 non-financial firms from 2013 to 2022 drawn from three (3) sectors listed on the Nigerian Exchange Group. These sectors were industrial goods firms' sector which has 13 firms, Health care sector with 7 firms and Conglomerates with 6 firms. The sample size for this study stood at 24. This was obtained with the aid of Taro Yamane (1967) formula with 95% confidence level. The Taro Yamane formula is given as;

$n = N/(1+N(e)^2)$

where, n = sample size

N = Population

e = error limit or level of significance

1 = unit which is constant

Since the population is made up 26 non-financial firms, the sample size was calculated as follows:

Given: e = 0.05 level of significance

$n = 26/(1+26(0.05)^2)$

$n = 26/1.065$

n = 24.41(Approx. 24)

Purposive sampling technique was used in selecting the required sample. The data for the dependent and independent variables were extracted from financial reports using content analysis methods and compiled using Microsoft Excel software. The study employed a panel data methodology, which was deemed suitable for the analysis. A total of 240 pooled observations were obtained, consisting of 24 cross-sectional observations for each year and ten time-series observations for each non-financial firm regressor and explained variable. The study adopted multiple regression in analyzing the data via Eviews 10.0

Table 3.1 Operationalization of variables

Concept	Proxy	Measurement	Source
Corporate monitoring mechanisms *(Independent variable)*	Audit committee size	Total number of members in firm's audit committee	Ogbodo and Omonigho (2021)
	Board independence	Board independence is computed as the proportion of non-executive directors to total directors.	Chytis, Tasios, Filos (2020)
	CEO duality	Takes the value of 1 if CEO and the chairperson positions are held by the same individual, 0 otherwise in the period (t)	Ogbodo and Omonigho (2021)
Tax sheltering strategies *(Dependent variable)*	Effective tax rate	This is the proportion of the profit before tax paid as tax. It is computed as tax paid divided by profit before tax.	Ogbodo and Abusomwan (2021)

Source: Author's compilation, 2024

4.0 Discussion of findings

Descriptive statistics

The result for the descriptive statistics analysis is as presented in table 4.1 below;

Table 4.1 Descriptive statistics results

	ETR	AUDCSZ	BODI	CEOD
Mean	0.234700	5.575000	0.733033	0.125000
Median	0.239439	6.000000	0.750000	0.000000
Maximum	23.83270	8.000000	0.900000	1.000000
Minimum	-11.79322	4.000000	0.545455	0.000000
Std. Dev.	1.889761	0.674242	0.073962	0.331410
Skewness	7.029363	0.997933	-0.124957	2.267787
Kurtosis	110.3597	4.766318	2.673741	6.142857
Jarque-Bera	117237.5	71.03355	1.689017	304.4898

Probability	0.000000	0.000000	0.429769	0.000000
Sum	56.32791	1338.000	175.9280	30.00000
Sum Sq. Dev.	853.5157	108.6500	1.307413	26.25000
Observations	240	240	240	240

Source: Researcher's compilation (2024)

The results in table 4.1 above indicates that effective tax rate (ETR), audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria have mean scores of approximately 0.23, 5.58, 0.73 and 0.13 respectively. This indicates the central or average values for these variables from 2013 to 2022. The median values obtained for effective tax rate (ETR), audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria were approximately 0.24, 6.00, 0.75 and 0.00 respectively. These constituted the middle values for the distributions of these variables under the period covered in this study (2013-2022).

In terms of the level of variability and dispersion in the distribution of these variables, the standard deviations obtained for effective tax rate (ETR), audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria were approximately 1.89, 0.67, 0.07 and 0.33 respectively. This indicates varying levels of variability in the distribution with effective tax rate (ETR) indicating high variations in the distributions. Similarly, the skewness values obtained for effective tax rate (ETR), audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria were 7.03, 0.99, -0.12 and 2.27. This quantifies the asymmetry of the distributions.

In addition, the kurtosis values obtained for effective tax rate (ETR), audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria were given as approximately 110.36, 4.77, 2.67 and 6.14 respectively. Since the values of the kurtosis are greater than zero (0), it indicates a leptokurtic distribution, hence the presence of outliers in the data.

Panel multiple regression analysis

Table 4.2 Panel multiple regression results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.418526	1.530853	1.579855	0.0005
AUDCSZ	-0.374976	0.185083	-3.025985	0.0439
BODI	-0.284378	1.641778	-3.673214	0.0016
CEOD	0.920980	0.376806	1.444177	0.2153

R-squared	0.474175	Mean dependent var	0.234700
Adjusted R-squared	0.391897	S.D. dependent var	1.889761
S.E. of regression	1.868956	Akaike info criterion	4.105163
Sum squared resid	824.3470	Schwarz criterion	4.163174
Log likelihood	-488.6196	Hannan-Quinn criter.	4.128537
F-statistic	9.783545	Durbin-Watson stat	1.526249
Prob(F-statistic)	0.000510		

Source: E-views 10.0 Output

The multiple regression line is as written below:

ETR = 2.418526-0.374976AUDCSz-0.284378BODI+0.920980CEOD + μ

Considering the regression results above, when the independent variables- Audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria are held constant (equal Zero), the dependent variable– Effective tax rate increased at a constant average of approximately 2.42%. However, a one percent (1%) rise in audit committee size (AUDCSz) and board independence (BODI) of listed non-financial firms in Nigeria will decrease effective tax rate by approximately 0.37% and 0.28% respectively while an increase in CEO duality by one percent (1%) increases effective tax rate by approximately 0.92% indicating a decrease in aggressive tax sheltering strategies. The Prob (F-statistics) of 0.000510 suggests that Audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria have a combined significant effect on effective tax rate (ETR) at 5% significance level.

Test of hypotheses

Each of the hypotheses in this study was tested based on the result obtained from the panel multiple regression analysis. The result that relates to these hypotheses is as summarized in table 4.2 above;

Ho₁: ***Audit committee size has no significant relationship with effective tax rate of listed non-financial firms in Nigeria.***

In order to test whether the variations in effective tax rate of listed non-financial firms in Nigeria caused by audit committee size (AUDCSz) is significant. The T-test was carried out at .05 significance level with Ttab of 2.06865 given at $T_{0.05,24}$. From the result in table 4.2 above, the Tcal of 3.025985 is greater than Ttab given at $T_{0.05,24}$. Hence, the null hypothesis which states that audit committee size has no significant relationship with effective tax rate of listed non-financial firms in Nigeria fails to hold, thus rejected, and the alternate hypothesis accepted. The null hypothesis is further rejected given that at $T_{0.05,24}$, its probability value (p-value = 0.0439) is less than 0.05.

Ho₂: ***Board independence has no significant relationship with effective tax rate of listed non-financial firms in Nigeria.***

In the same vein, the T-test was also considered in ascertaining whether the variations in effective tax rate of listed non-financial firms in Nigeria caused by Board independence (BODI) is significant. The T-test was carried out at .05 significance level with Ttab of 2.06865 given at $T_{0.05,24}$. From the result in table 4.2 above, the Tcal of 3.673214 is greater than Ttab given at $T_{0.05,24}$. Hence, the null hypothesis which states that board independence has no significant relationship with effective tax rate of listed non-financial firms in Nigeria fails to hold, thus rejected, and the alternate hypothesis accepted. The null hypothesis is further rejected given that at $T_{0.05,24}$, its probability value (p-value = 0.0016) is less than 0.05.

Ho₃: ***CEO duality has no significant relationship with effective tax rate of listed non-financial firms in Nigeria.***

In addition, the T-test was also considered in ascertaining whether the variations in effective tax rate of listed non-financial firms in Nigeria caused by CEO duality (CEOD) is significant. The T-test was carried out at .05 significance level with Ttab of 2.06865 given at $T_{0.05,24}$. From the result in table 4.2 above, the Tcal of 1.444177 is less than Ttab given at $T_{0.05,24}$. Hence, the null hypothesis which states that CEO duality has no significant relationship with effective tax rate of listed non-financial firms in Nigeria holds, thus accepted, and the alternate

hypothesis rejected. The null hypothesis is further accepted given that at $T_{0.05,24}$, its probability value (p-value = 0.2153) is greater than 0.05.

Discussion of findings

Audit committee size and effective tax rate

The study revealed that audit committee size has a significant negative relationship (Coeff. = -0.374976{0.0439}) with effective tax rate of listed non-financial firms in Nigeria. This finding suggests that the size of the audit committee within these non-financial firms plays a crucial role in promoting aggressive tax sheltering strategies. A larger audit committee is associated with a decrease in effective tax rates, indicating that more members involved in monitoring financial activities and tax-related decisions often identify the loopholes prevalent within the tax system. Specifically, a one percent (1%) increases in audit committee size leads to a 0.37% decrease in effective tax rates. This finding highlights the importance of ensuring that listed non-financial firms have robust and adequately sized audit committees. By having a larger audit committee, companies can enhance their ability to scrutinize tax-related activities, potentially reducing tax evasion and promoting ethical behavior in tax reporting. This is in line with the findings of Ogbodo and Abusomwan (2021) and that of Uniamikogbo, Bennee and Adeusi (2019). These studies established that the size of board moves in the same direction with tax aggressiveness.

Board independence and effective tax rate

The second finding reveals that board independence is an essential factor in mitigating aggressive tax sheltering practices. When the board consists of independent directors who are not affiliated with the management, there is a significant decrease in effective tax rates. A one percent (1%) increase in board independence is associated with a 0.28% decrease in effective tax rates. This finding suggests that promoting board independence within listed non-financial firms is crucial for effective tax governance. Independent directors can provide unbiased oversight, ensuring that tax-related decisions are made in the best interest of the company and its stakeholders by coming with valid ways of circumcising the tax system. Therefore, regulators and policymakers should emphasize the appointment of independent directors to enhance transparency and reduce the likelihood of tax aggressiveness. This is in agreement with the findings of Ogbodo and Abusomwan (2021). The estimation results revealed that board independence have a negative coefficient and significant at 5% suggesting that an increase in these board structure variables results in a reduction in the tax paid/ pre-tax income ratio and this implies an increase in tax sheltering practices.

CEO duality and effective tax rate

The study also revealed that CEO duality has an insignificant positive relationship (Coeff. = 0.920980{0.2153}) with effective tax rate of listed non-financial firms in Nigeria. While CEO duality might not directly influence tax sheltering practices, it is still important for companies to carefully consider the separation of the CEO and board chairman roles. Separation of these positions can help maintain an appropriate system of checks and balances and prevent conflicts of interest that may arise in tax-related decision-making processes. This is both in consonance and deviance with the findings of Ezejiofor and Ezenwafor (2020) which revealed that CEO duality is significant and has a positive coefficient on tax planning of food and beverage companies in Nigeria indicating the possibility of tax avoidance practices.

5.0 Summary, conclusion and recommendations

Summary of findings

This present study examined the relationship between corporate monitoring mechanisms and tax sheltering strategies of listed non-financial firms in Nigeria. The study covered ten-year period (2013-2022) with particular emphasis on audit committee size, Board independence and CEO duality. Effective tax rate applicable to these selected firms served as a surrogate for tax sheltering strategies. Below is a summary of findings gathered through a panel multiple regression analysis.

1. Audit committee size has a significant negative relationship (Coeff. = -0.374976{0.0439}) with effective tax rate of listed non-financial firms in Nigeria.
2. Board independence has a significant negative relationship (Coeff. = -0.284378{0.0016}) with effective tax rate of listed non-financial firms in Nigeria.
3. CEO duality has an insignificant positive relationship (Coeff. = 0.920980{0.2153}) with effective tax rate of listed non-financial firms in Nigeria.

Conclusion and Recommendations

The Prob (F-statistics) of 0.000510 suggests that audit committee size (AUDCSz), board independence (BODI) and CEO duality (CEOD) of listed non-financial firms in Nigeria have a combined significant effect on effective tax rate (ETR) at 5% significance level. Based on this, it is however concluded that corporate monitoring mechanisms play a crucial role in shaping tax sheltering strategies and other tax related activities among listed non-financial firms in Nigeria. Based on the findings of this study, the following recommendations have been put forward that;

1. Non-financial firms in Nigeria should ensure they have robust and adequately sized audit committees that can provide effective oversight of financial and tax-related activities.
2. Nigerian regulators and policymakers should emphasize the appointment of independent directors to listed non-financial firms' Boards. This move can help promote transparency and reduce the likelihood of aggressive tax sheltering practices.
3. Additionally, the separation of the CEO and board chairman roles can help maintain an appropriate system of checks and balances in tax-related decision-making processes.

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