

TAX AGGRESSIVENESS AND FIRM SIZE: EVIDENCE FROM NIGERIAN DEPOSIT MONEY BANKS

John-Akamelu, Racheal C.

Department of Entrepreneur Studies Unit,
Faculty of Management Sciences,
Nnamdi Azikiwe University, Awka, Nigeria.
E-mail: rachealchitom@gmail.com

Ifurueze, Meshack S.

Department of Accountancy,
Faculty of Management Sciences,
Chukwuemeka Odumegwu Ojukwu University, Igbariam, Nigeria.
E-mail: meshackifurueze@gmail.com

Iyidiobi, Felicia C.

Department of Accountancy,
Faculty of Management Sciences,
Enugu State University of Science and Technology, Enugu, Nigeria.
E-mail: iyidiobi@Esult.edu.ng

Abstract

This study assesses the effect of tax aggressiveness and firm size in Nigerian deposit money banks. Ex post Facto research design was adopted and the data were collected from annual reports and accounts of Nigerian deposit money banks. Pooled multiple regression analysis was employed to test the formulated hypotheses. Based on the analysis, the study found that book value of equity (BVE) impact negatively on our dependent variable, firm size, but book value of equity impact was statistically significant while the market value (MV) was found to impact positively on our dependent variable, firm size, but this impact was not statistically significant. The study therefore recommended that since the basis of effective use of market value aggressiveness (MV) to generate firm growth of companies with high MV does not perform better as the analysis revealed should be discouraged, hence it cannot be used for any policy formulation.

Keywords: Tax aggressiveness, Book value of equity, Market value and Firm size

INTRODUCTION

There are potential costs related to strategies to minimize taxes, such as implementation and transaction costs, possible penalties imposed by the tax authorities and reputation risks, that must be pondered (Desai & Dharmapala, 2006; Hanlon & Slemrod, 2009).

According to Chen, Chen, Cheng and Shevlin (2010), tax aggressiveness is the “downward management of taxable income through tax planning activities.” These activities encompass both activities considered legal and illegal (as well as those in the inevitable gray area between the two). Earlier studies by Chen & Chu (2005), Crocker & Slemrod (2005) and Desai & Dharmapala (2006) established the bases for the relationship between tax aggressiveness and agency in question. Because managers have privileged information on the extent of legally permissible reductions of income taxes, they can also increase the size of tax deductions through illegal tax evasion measures. The incentives for managers to stretch the limits of tax rules depend on the nature of their remuneration mechanisms and the potential personal penalties for getting caught.

The amount that companies pay out to the Government over time has the significance of turning into a huge sum and would eventually reduce significantly the amount of profit that would ultimately be available to the shareholders. Therefore, companies all over the world seek legal loopholes in the tax system and also take advantage of accounting wisdom to employ certain strategies that would help reduce the amount that they would eventually pay as taxes. Still, the concept of taxation has been a concern of global significance as it affects every aspect of business and economy irrespective of national differences. According to Hurwicz (2001), tax aggressiveness is an important aspect of using tax policy in achieving the goal of efficient resources utilization and the promotion of adequate advantages that debt inclusion can play on the capital structure of a company.

However, the developed countries have indeed outpaced less developed countries like Nigeria, in the area of their concentration in micro or corporate aspect of taxation. Margaret and Chris (2009) believed that the reporting quality alone cannot provide sufficient support that will help reduce tax aggressiveness of companies. Intention to manage taxes aggressively is driven by some underlying motives such as window dressing of financial reports prior to public offerings, to meet bonus targets in order to increase management compensation, to avoid violating debt contracts to reduce regulatory cost or increase regulatory benefits. It is against this, the study assessed tax aggressiveness strategies on firm growth in Nigeria. The specific objectives were to:

- 1) Examine the effect of book value tax difference aggressiveness strategy on firm size in Nigeria.
- 2) Ascertain the effect of market value tax aggressiveness strategy on firm size in Nigeria.

CONCEPTUAL FRAMEWORK

Tax Aggressiveness

This is even more prevalent among corporate taxpayers given to the magnitude that subsequently it reduces their distributable profits which could be the reason for the endless war against aggressive corporate tax saving practices. This is so because while tax helps improve the society, it must also not be over paid in order to maximize the wealth of shareholders. According to Healy and Wahlen (1999), intention to manage taxes effectively and efficiently is driven by some underlying motives such as window dressing of financial reports prior to public offerings, to meet bonus targets in order to increase management compensation, to avoid violating debt contracts, to reduce regulatory cost or increase regulatory benefits. Hanlon and Heitzman (2010) see aggressive tax strategy as any “reduction in explicit taxes”. Several studies have therefore been conducted in this regards. These studies have examined several factors such as firm size and scale of international operations (Rego 2003). It must be noted that these studies have all been foreign with little done for under- developed countries.

Dhaliwal (2006) added that management estimates and negotiates tax expense with their auditors immediately prior to earnings announcements, as a final effort to meet analysts’ expectations or the firm’s plans. At the same time the final tax outflow depends on the tax planning followed by the firm.

In the same aspect, shifting the recognition of revenues and expenses across years and managing tax accruals were also examined by (Maydew, Dyreny & Halon, 1997). Which suggests that firms with greater investment tax credits shifted more regularly revenues, in order to present profits and taxes according to management plans. Moreover, according to Dhaliwal (2006), when managers have an incentive to achieve a particular earnings target, the tax expense account provides their final opportunity for earnings management. The tax element as one of the finally defined and calculated figures during the preparation of the financial statements provides the opportunity for management to handle and influence the final account and consequently the profits after tax figure and deferred taxation.

Market value: Price is the arithmetic average of market value including equity prices. Some authors may prefer to use share prices prevailing on the day immediately following the cross-section year. It could, however, be argued that share prices prevailing at any day may contain random or temporary disturbances (Zangani & Caiumi 2017). On the other hand, an average of market prices may be relatively free of temporary disturbances.

The market price of public traded company which is determined by the forces of market supply and demand is highly volatile due to its dependent on the expectations of the buyers and sellers (Desai, 2012). Mills and Newsberry (2001) found that earnings as well as dividend declared by firm is related to market prices of share, Fuest and Riedel (2009) opined

that dividend yield is a good predictor of stock return. Irrespective of the accounting number that can be adopted to predict the market price, if this numbers contain some new information, reaction will always be expected in the market over the market price of share; this reaction evidence in share price, is found to continually drift in the same direction as that of the initial information.

There are several steps you must take in order to calculate the market price per share. The first step is to determine the date on which you want to calculate the market price per share. The second step is to find the price on that particular date. It can be seen at the company's monthly, quarterly, or annual report to get the stock price on that particular date. Thirdly, one must consider the preferred stock, if any, that this company owns. If the company owns and has paid dividends on its preferred stock, subtract those dividends from the stock price you found from the financial report. Fourth, determine the number of shares of stock outstanding by looking at the company's quarterly or annual report. Having gone through these four steps, then, you have the information you need to calculate the market price per share.

The market price per share and the current price at which the stock is being traded are not necessarily the same. The market price per share is also called the intrinsic value of a share of stock or the actual value based on the actual variables taken from the company's financial statements. The current trading price is based on investor buying and selling behavior. If investors are paying more than the intrinsic value, then the stock is overvalued, if the investors are buying less than the intrinsic value, then the stock is undervalued and is a good buy.

The only thing more enjoyable than being eligible to claim deductions on your tax return is being eligible to claim substantial deductions on your tax return. How much of a deduction you're eligible to claim for charitable gifts, write-offs, or losses is directly connected to the items of fair market value (FMV), also known as the price you could sell the item on the open market. Since the IFRS hasn't designated a one size fits for all rule for calculating fair market value, then, you have a few distinct methods to choose from, for calculating the fair market value of your donation or write-off

Book value (BV): BV is the owners' equity over the number of shares in circulation. According to Ohlson (1995), we expect a positive relationship between share prices and book value. Book value is determined by the researcher by dividing value of common equity by the number of shares outstanding for the prospective periods.

Furthermore, Ohlson (1995) show that under certain condition, market value of a firm can be expressed as the weighted average of book value and earnings. This form the bases of the studies conducted on the value relevance of accounting numbers. Studies in this area of research have shown that the book value of equity in addition to earnings is associated with the market value of firms. The framework of the clean surplus valuation which is based on

the residual income valuation model by Ohlson (1995) suggests that the book value of equity plays anchoring roles in valuation by representing the net stock of resources which the future earnings of firms depend on and provides information on the liquidation or adaptation values of firm's net asset with poor financial performance (Barth, Beaver & Landsman, 1998; Burgashler & Dichev, 1997).

Book value per share is just one of the methods for comparison in valuing of a company. Enterprise value, or firm value, market value, market capitalization, and other methods may be used in different circumstances or compared to one another for contrast. For example, enterprise value would look at the market value of the company's equity plus its debt, whereas book value per share only looks at the equity on the financial statement. Conceptually, book value per share is similar to net worth, meaning, assets minus debt, and may be looked at what would occur if operations were to cease. One must consider that the financial statement may not reflect with certain accuracy, what would actually occur if a company did sell all of their assets.

Empirical Review

Lots of researches have been conducted to assess the extent tax aggressiveness affect firm growth. Desai and Dhamapala (2009) studied the alternative theories of corporate tax avoidance using unexplained differences between income reported to capital market and tax authorities, using OLS estimate and instrumental variables estimate. They find that the simple view of corporate tax avoidance as a transfer of resources from the state of shareholder is incomplete given the agency problems due to shareholder – manager- relationship.

Michelle and Joel (2009) studied the stock price reaction to news about corporate tax aggressiveness. They find that, on average, a company's stock price declines when there is news about its involvement in tax shelters. They find some limited evidence for cross-sectional variation in the reaction. For example, the reaction is more negative for firms in the retail sector, suggesting that part of the reaction may be a consumer/taxpayer backlash. In addition, the reaction is less negative for firms that are viewed to be generally less tax aggressive, as proxied by the firm's cash effective tax rate. They interpret this as being consistent with the market reacting positively to evidence that a firm is trying to reduce taxes when their financial reports and news of firms' tax aggressiveness (involvement in tax shelters), find that on average the stock price declines when there is news about involvement in tax shelters, but the reaction is small in relation to news about other types of wrongdoing.

Dunbar, Higgens, Philips and Plesko (2010) present a review of the metrics used to measure tax aggressiveness in the literature. According to them, the tax aggressiveness metrics generally used, four are variants of the effective tax rate (ETR), two are based only on book-tax differences (BTDs) and three others are based on estimating econometric models that capture the abnormal tax planning behaviors that can be a reflection of tax aggressiveness.

Audrey (2012) compared the tax aggressiveness of domestic and multinational firms, investigate the relationship between tax aggressiveness and multinational size, as measured by the number of foreign jurisdictions, and (3) assess the overall quality of FIN 48-related tax footnote disclosures provided by domestic and multinational firms, and consider their role in aggressive tax planning. The results suggest that multinationals are relatively more tax aggressive than domestic firms. Some evidence indicates that larger multinationals may be more tax aggressive than smaller multinationals. And lastly, the results supported a potential inverse relationship between disclosure quality and tax aggressiveness for multinational firms.

Guenther, Matsunaga and Williams (2012) examined whether tax avoidance strategies are associated with greater firm risk, using regression analysis developed a measure of tax risk by applying the traditional definition of risk of taxes, measured by stock return volatility. They find that low tax rates tend to be more persistent than high tax rates and that measures of tax avoidance commonly used in literature are generally not acceptable.

Clive, Petr and Jeffrey (2013) examined the association between aggressive tax reporting and the incidence of alleged accounting fraud. Relying on several proxies for tax aggressiveness to triangulate our evidence, they generally find that tax aggressive U.S. public firms are *less* likely to commit accounting fraud. More specifically, four (two) of the five (three) proxies for firms' effective tax rates (book-tax differences) load positively (negatively) during the 1981–2001 period, implying that fraud firms are less tax aggressiveness.

Danielle, Thomas and John (2013) examined whether a firm's business strategy is associated with its level of tax avoidance. Next, they also investigate the association between the firm's business strategy and the extent to which it avoids tax in an aggressive manner. To identify firms' business strategies, they use a comprehensive measure of business strategy based on the theoretical framework of Miles and Snow (1978, 2003). They found that firms following Miles and Snows' *Prospector* (innovation and risk seeking) strategy avoid more taxes than both *Defender* firms (cost leadership and risk aversion) and firms following a more general (*Analyzer*) strategy.

Hoi-Wu and Zhang (2013) also examined the empirical association between CSR and tax avoidance. Hoi et al. (2013) build upon Lanis and Richardson (2012) by using several measures for tax avoidance, a large sample of U.S. firms, and a third-party source to measure CSR activities (negative social ratings obtained from KLD Research & Analytics, Inc.). Their results suggest that firms with excessive irresponsible CSR activities are more aggressive in avoiding taxes. Using 20 tax aggressive Australian corporations matched with 20 non-tax aggressive corporations based on industry classification, corporation size and time period.

Lanis and Richardson (2013) tested the proposition that tax aggressive corporations disclose additional CSR information in their annual reports. The increased level of disclosure is to

alleviate potential public concern over the negative community impact of corporate tax aggressiveness, and to demonstrate that they are meeting community expectations in other ways. They found a positive and statistically significant association between corporate tax aggressiveness and CSR disclosure. They claimed that this result, which can be viewed as contradictory to the negative relationship found in their previous study, provides empirical evidence in support of legitimacy theory. The intermingled use of various CSR and business-ethics-related concepts in the literature, in corporate communication, and in the media has led to certain confusion between these concepts.

Annua, Slihu and Obid (2014) propos models for empirical investigations into relationship between corporate ownership structure and corporate tax avoidance in Malaysia, using two econometric dynamic panels data models and generalized method moment estimator (GMM). They found that strong governance mechanism could mitigate association of corporate ownership structure and corporate tax avoidance.

Antonio and Giliard (2014) investigated whether family firms are more aggressive in terms of tax planning than non-family firms in Brazil, based on a sample of firms listed on the BMF and Bovespa from 2001 to 2012. Of the sample of companies, 23% are considered to be family firms. They found a significant relationship between classification as a family firm and tax aggressiveness, based on two metrics. The first, effective tax rate (ETR), captures the actual taxes paid in relation to pre-tax earnings, while the second, book-tax differences (BTD), reflects the differences between accounting income and taxable income. The family firms in the sample were more tax aggressive than the non-family firms. For the variable BTD, family firms presented a positive sign, indicating a tendency for higher BTD. In turn, ETR had a negative sign, identifying a tendency for family firms to pay lower taxes.

Harvey (2014) examine corporate tax aggressiveness from 1990's – 2014. He also discusses various public indicia of corporate tax aggressiveness and analyzes selected 21 public companies. He found that the degree of corporate tax aggressiveness can ebb and flow depending upon the legal environment and whether corporations believe the benefits exceed the cost.

Lee, Alfreda and Minton (2015) critically reviewed the accounting literature of tax avoidance with an emphasis on theories of corporate tax avoidance as well as empirical proxies for tax avoidance. The agency theory should be one of the relevant analytical bases to improve the understanding of the interactions between managers and shareholders with respect to corporate tax avoidance strategies. A number of empirical proxies for corporate tax avoidance are computed using financial statement variables, but their relevance is limited for firms that engage in conforming tax avoidance that reduce both book and taxable income. Alternatively, tax shelters and uncertain tax benefits can be used as proxies for aggressive tax avoidance.

Galica (2015) examined the complexities of corporate tax planning, with a focus on tax deferral strategies employed by United States multinational corporations, providing a financial and ethical analysis of corporate tax entities. The focus will be on multinational corporations, primarily Fortune 500 Companies. It will then evaluate trends across industries and contrast the patterns of unrecognized tax benefits reported by large and small scale public companies. The study include a foundational background on corporate tax havens, the benefits of deferred taxation, and an outsider's perspective on the subject matter – namely, the difference in perception of the general public versus that of a shareholder.

Gbadago and Ankgo-Victor (2015) examined the awareness and level of compliance of gift tax among taxpayers in Kumasi Metropolis Ghana. Two hundred and fifty- two respondents were sampled for the study using the purposive sampling method. Questionnaires and interview guide were used to solicit data and information from respondents also descriptive and inferential statistics using excel package were employed. They found that the level of compliance with gift tax is very low.

Amidu, Kwakye, Harvey and Yorke (2016) examined the relationship between corporate tax avoidance (CTA), earnings management (EM) and corporate social responsibility (CSR) within a context of an emerging economy. The study employs system of methods of moments (GMM) and logistic regression to establish whether firms in Ghana manage earnings and avoid tax to finance corporate social responsibility. The results show that almost all the firms sampled have engaged in some management of their earnings and tax during the period. The study also found evidence that an increase in CSR activities is associated with an increase in EM, suggesting that, sampled firms may use CSR as a cover for engaging in opportunistic behaviour such as earnings management. By extension, these results have important policy implications for policy makers in assessing the effectiveness of the tax laws.

Akanksha and Costanza (2016) on Debt, Bankruptcy Risk, and Corporate Tax Aggressiveness examined the effect of leverage and bankruptcy risk on corporate incentives to shelter income from taxes. The study derives the optimal level of sheltering for a levered firm in a two-date, single-period model in which a firm's perquisite-consuming manager with an equity stake in the firm maximizes her payoff. The theory predicts that sheltering relates negatively to leverage, monitoring, manager's bankruptcy costs, and, under certain parametric conditions, manager's equity stake in the firm. Their empirical tests provide evidence that is consistent with these theoretical predictions. they show that leverage and bankruptcy risk relate negatively to sheltering and that the negative effects of bankruptcy risk and debt on sheltering are stronger for riskier firms; and weaker for larger, better governed, more profitable firms, and for firms that are in the "public eye". They use two changes to the bankruptcy law to show that their findings are robust to endogeneity concerns.

Shevlin, Blaylock and Gaertner (2016) examined the effect of increased book-tax conformity on corporate capital structure. Prior studies document a decrease in the informative nature of

accounting earnings for equity markets resulting from higher book-tax conformity. They argue that the decrease in earnings informativeness impacts equity holders more than debt holders because of the differences in payoff structures between debt and equity investments such that increases in book-tax conformity lead to increases in firms' reliance on debt capital. They exploit a natural experiment in the U.S. and found that firms facing increase in required book-tax conformity increase leverage relative to other firms. Also, the study provides evidence of an increase in the cost of equity (but not of debt) capital for firms facing an increase in required book-tax conformity relative to control firms and that these increases in cost of equity capital are positively associated with an increase in leverage. Findings are consistent with firms substituting away from equity and towards more debt in the presence of higher book tax conformity.

Kahayu, Eka and Sudjatno (2017) analyzed the taxpayer's awareness, whether it can mediate the knowledge and understanding of tax regulation in taxpayer's compliance or not. Using quantitative analysis with taxpayers as the respondents, the study found that knowledge and understanding of tax regulation and awareness of tax payers simultaneously contribute to taxpayer compliance.

Koumanakos, Roumelis and Goletsis (2017) examined the relationship between macro-economic condition and corporate tax compliance in Greece. Using a sample of 246 firms and year observation from 2004-2014, the study found that the association between the state of economic conditions and corporate tax evasion magnitude is positive.

Mgbame, Chijioke-Mgbame and Yekini (2017) investigated the effect of corporate Social Responsibility (CSR) performance on tax aggressiveness of listed firms in Nigeria. A cross-sectional research design and data were collected from published annual reports; using sample of 50 companies from 2007-2013. The study revealed that there is a negative relationship between CSR performance and tax aggressiveness in Nigeria. There is significant relationship between firm size and tax aggressiveness.

Jeongho and Chaechang (2017) attempted to find a causal relation between financial ratios and tax avoidance. Aside from direct financial responsibilities, they conjecture that firms that avoid taxes will also face indirect negative financial repercussions, such as degradation of their reputation in the investment market. Corporate Social Responsibility (CSR: Corporate Social Responsibility) activities are reflected in the market as firms make a commitment to society, and investors perceive a positive value in an investment in such firms. Between the two contradictory drivers, tax avoidance and CSR activities; they seek to find their interplaying relation with financial ratios. From this study, tax authorities can regulate firms that engage in tax avoidance and encourage firms to conduct CSR activities. They found that current asset turnover, the labor-to-equipment ratio, the noncurrent liabilities ratio, and the net income-to-equity ratio all have a positive and significant influence on corporate tax

avoidance. Conversely, common equity growth has been shown to be negatively related with corporate tax avoidance.

Dunbar et al (2010) showed that tax aggressiveness used four variants based on estimating econometric models that capture the abnormal tax planning behaviors that can be a reflection of tax aggressiveness. Andrey (2012) established that there is potential but inverse relationship between disclosure quality and tax aggressiveness for multinational firms. Jon (2012) opined that firms with more opaque information environment, as measured at the firm and country level, exhibit higher level of firms-specific tax avoidance.

Blaufus and Zinowsky (2013) found that personality traits have direct and indirect effect on tax aggressiveness strategies, while Clive, Petr and Jeffrey (2013) believed that aggressiveness U.S public firms are less likely to commit accounting fraud. Dannielle, Thomas and John (2013), Guenther, Matsunaga and Williams (2013) both agreed that there is a significantly positive relationship between tax risk and firm risk, but do not agree that there is evidence of a significant association between either tax avoidance or tax aggressiveness and firm risk. Hoi-wn and Zhang (2013) asserted that the firms with excessive irresponsible CSR activities are more aggressive in avoiding taxes

This leaves a huge gap to be addressed by the current paper as it seeks to find out from the available literatures, the issues of corporate tax aggressiveness strategies as it affects firm growth in Nigeria, this however create a gap in which this study set up to fill, hence domesticate the study in Nigerian corporate firms.

METHODOLOGY

Research Design

Due to the nature of this study, Ex-Post facto research design will be adopted. This is appropriate because the study aims at measuring the relationship between one variable and another in which the variables are not manipulated.

Population of the Study

This study makes use of six selected Deposit Money Banks in Nigeria that are quoted on the Nigerian Stock Exchange. The study covered ten years annual reports and accounts of these companies from 2007 to 2017.

Method of Data Analysis

To achieve the objectives of this study, the data required will be those of the discriminating variables that include: book value and market value. Hypotheses formulated for the study will be tested with the pooled multiple regression using E-View version 9.0 software package.

Decision rule:

Using E-View, 5% is considered a normal significance level. The accept reject criterion was based on the p-value, alternative hypothesis will be accepted.

Model specification

Pranesh Debnath (2017) model of tax aggressiveness as:

$$DA_{it} = \beta_0 + \beta_1 Profit_{it} + \beta_2 Grow_{it} + \beta_3 Size_{it} + \beta_4 Age_{it} + \beta_5 Risk_{it} + \varepsilon_{it} \dots \dots \dots (1)$$

Where; DA_{it} = Discretionary Accruals of firm in a yr.

$Size_{it}$ = Size of firm in a year.

$Profit_{it}$ = Profitability of firm in a yr.

Age_{it} = Age of firm in a yr.

$Risk_{it}$ = Risk-factor of firm in a yr.

β_0 = intercept of the equation; β_1 to β_5 = Coefficients; ε_{it} = error terms, and modified by the Researcher (2018) as follows:

$$FMSIZ = \beta_1 BTDit + \beta_2 MBV_{it} + \beta_3 it \dots \dots \dots .et$$

$$FMSIZ = \beta_3 BTDit \dots \dots \dots .et$$

$$FMSIZ = \beta_4 MBV_{it} \dots \dots \dots .et$$

Where:

BTDit – book-tax difference (earnings before income tax – taxable income / total assets

MBV_{it} = Market value of firm i at the start of year t divided by its equity value at that time;

FMSIZ_{it} = Firm Size of firm is natural log of total asset of the firm.

DATA PRESENTATION AND ANALYSIS

Data Analysis

Table 1: Correlation Analysis Matrix

	DEFRD	BVE	BMP
FMSIZ	1.00	0.40	0.25
BVE	0.40	1.00	0.69
BMP	0.25	0.69	1.000

Source: researcher’s computation (2018)

The use of correlation matrix in most regression analysis is to check for multi-collinearity and to explore the association between each explanatory variable (BVE and BMP) and the dependent variable (FMSIZ) proxy as total asset. Table 1 focused on the correlation between firm size measured and the independent variables (BVE and BMP).

Finding from the correlation matrix table shows that all our independent variables (BVE=0.40, and BMP=0.25) were observed to be positively and weakly associated with deferred tax. In checking for multi-collinearity, we notice that no two explanatory variables

were perfectly correlated. This means that there is no problem of multi-collinearity between the explanatory variables. Multi-collinearity may result to wrong signs or implausible magnitudes in the estimated model coefficients, and the bias of the standard errors of the coefficients.

Testing of Hypotheses formulated

In other to examine the impact relationships between the dependent variable size of the firm and the independent variables (BE and BMP) and to also test our formulated hypotheses, we used a pooled multiple regression analysis since the data had both time series (2010-2016) and cross sectional properties (15 deposit money banks). The pooled interaction based multiple regression results are presented and discussed in Table 2 below.

Table 2: FMSIZ Pooled Regression Results

Dependent Variable: DEFRD

Method: Panel Least Squares

Date: 04/02/18 Time: 23:10

Sample: 2010 2015

Periods included: 6

Cross-sections included: 15

Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.047628	0.007002	6.802146	0.0000
BE	-0.002765	0.000999	-2.766801	0.0069
BMP	0.003782	0.004305	0.878413	0.3822
EPS	-0.000236	0.000443	-0.532844	0.5955
CASHFL	-3.48E-11	1.80E-11	-1.928040	0.0572
R-squared	0.196822	Mean dependent var	0.021489	
Adjusted R-squared	0.159025	S.D. dependent var	0.033200	
S.E. of regression	0.030446	Akaike info criterion	-4.091763	
Sum squared resid	0.078792	Schwarz criterion	-3.952885	
Log likelihood	189.1293	Hannan-Quinn criter.	-4.035759	
F-statistic	5.207393	Durbin-Watson stat	0.501687	
Prob(F-statistic)	0.000843			

In Table 2, R-squared and adjusted Squared values were (0.20) and (0.16) respectively. This indicates that all the independent variables jointly explain about 20% of the systematic variations in firm size (FMSIZ) of our samples banks over the seven years periods (2010-2016). The F-statistics (5.21) and its P-value (0.00) show that the FMSIZ regression model is well specified.

Test of Autocorrelation: using Durbin-Waston (DW) statistics which we obtained from our regression result in table 2, it is observed that DW statistics is 0.50 and an Akaike Info Criterion and Schwarz Criterion which are -4.09 and -3.95 respectively also further confirms that our model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:

Book value of equity (BVE), based on the t-value of -2.766801 and p-value of 0.0069, was found to have a negative influence on our sampled quoted banks size and this influence is statistically significant as its p-value is less than 0.10 value. This result, therefore suggests that we should reject our null hypothesis one (H_{01}) which states that book value of equity has no significant effect on firm size items of Nigerian deposit money banks. This means that firms with high book value of equity performs better as the analysis reveals that for every #1 increase in equity value of banks in Nigeria, will lead to about #1.00 decrease on deferred tax. However, this result is statistically significant and therefore should be used for any policy consideration.

Market price (MKP), based on the t-value of 0.878413 and p-value of 0.38 was found to have a positive influence on our sampled quoted banks deferred tax and this influence was not statistically significant since its p-value was more than 10%. This result therefore suggests that we should accept our null hypothesis two (H_{02}) which states that market price does not significantly affect firm size items of Nigerian deposit money banks. However, this influence is not statistically significant and so, should be ignored as a determinant of firm size in Nigeria.

Discussion of Findings

Book value tax aggressiveness (BTR) based on findings, was found to also have a positive but not statistically in affecting our sampled companies' Corporate Growth. This negates the findings of Clive, Petro and Jeffres (2013) and affirms the findings of Antonio and Giliord (2014).

Market value tax aggressiveness (MBV) based on findings, was found to impact negatively on our dependent variable, firm size, but this impact was not statistically significant. This finding therefore supports the finding of Michelle and Joel (2009) and negates our a priori expectation and the view of Guenther, Matsunagas and Williams (2013).

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Summary of Findings

Based on the data analyzed, the following findings were drawn:

1. Based on findings, it was found that Market value tax aggressiveness (MBV) impacts negatively on our dependent variable firm size, but this impact was not statistically significant.
2. The study found that Book value tax aggressiveness (BTR) to also have a positive but not statistically in affecting our sampled companies' Corporate Growth.

Conclusions

This study found that, Market value tax aggressiveness (MBV) impacts negatively on Firm Growth, but this impact was not statistically significant and book value tax aggressiveness (BTR) impacts positively on firm size. This impact was not statistically significant. This means that on the basis of effective use of leverage and market value to generate firm growth, firms with high leverage value performs better as the analysis reveals that for every #1 increase in leverage value of firms in Nigeria, will lead to about #1.00 and #0.32 decrease respectively on firm size. However, this result is not statistically significant and therefore should not be used for any policy. Meanwhile on average, a company's stock price declines when there is news about its involvement in tax shelters. The study also uncovers some evidence of cross-sectional variation. For instance; the market value decline is more negative for firms in the retail sector, suggesting that part of the reaction may be a consumer/taxpayer backlash. The reaction seems to be less negative for firms with a higher cash effective tax rate, consistent with the market interpreting the news as a positive signal of tax aggressiveness.

Based on the findings of the study, the study recommended that since the basis of effective use of market value aggressiveness (MBV) to generate firm growth of companies with high MBV does not perform better as the analysis revealed should be discouraged, hence it cannot be used for any policy formulation.

References

- Amidu, M., Kwakye, T.O., Harvey, S. & Yorke, S. M. (2016). Do firms manage earnings and avoid tax in corporate social responsibility?. *Journal of Accounting and Taxation*. 8(2) pp.11-27. <https://doi.org/10.5897.0.218>
- Annua, H. A., Salihu, I. A. & Obid, S. N. (2014). Corporate ownership and tax avoidance: an interactive effect. <https://doi.org/10.1016/j.sbspro.2014.11.063>
- Akanksha, J., Jayant, R. K., & Costanza M. (2016). *Debt, Bankruptcy Risk, and Corporate Tax Aggressiveness*. This version: December 24, 2016
- Audrey E. M. (2012). Measuring Tax Aggressiveness after FIN 48: The Effect of Multinational Status, Multinational Size, and Disclosures". *Honors Scholar Theses*. 217. http://digitalcommons.uconn.edu/srhonors_theses/217
- Antonio, L. M. & Giliard C. R. (2014). Family Firms and Tax Aggressiveness in Brazil. *International Business Research*; 7(3).
- Barth, C & Carlsnan, K (1998). General explanation on tax legislation enacted in (1997). the joint committee on taxation congress of the U.S A. <https://www.jct.gov/publications/html/pp23-97>.
- Burgasher, T & Dicker, V (1997). Vehicle taxation in the European Union (1997) . European Commission.Brussels. Refxx1/301/98-En <https://ec.europa.eu/taxation/custom/sixes/taxation/files/doc/body/306-98.pdf>.
- Clive, L., Petr, L. & Jeffrey, P. (2013). Tax aggressiveness and accounting fraud. *Journal of Accounting Research* 00(0), 0. DOI: 10.1111/joar.12002.
- Chen, K.-P., & Chu, C. (2005). Internal control vs. external manipulation: A model of corporate income tax evasion. *The Rand Journal of Economics*, 36, 151–164.
- Crocker, K., & Slemrod, J. (2005). Corporate tax evasion with agency costs. *Journal of Public Economics*, 89, 1479–1505. <http://dx.doi.org/10.1016/j.jpubeco.2004.08.003>
- Danielle, H., Thomas, C. O., & John, D. P., (2013). The influence of a firm's business strategy on its tax aggressiveness. JEL classification: H25, L21, L22, M19, M41
- Desai, M., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered <https://dx.doi.org/10.1016/j.jfineco.2005.02.002>.
- Desai, M & Dharmapala, D (2009). Corporate tax avoidance and firm value. lindsay college of business, University of Oregon Eugene, OR 97403, USA
- Desai, M.A (2012). A Better Way to Tax U.S. Businesses. *Harvard Business Review*. https://hbr.org/2012/07/a_better-way-to_tax_us_businesses
- Dunbar, A., Higgins, D. M., Philips, J.D. & Plesko, G. A. (2010). What Do Measures of Tax Aggressiveness Measure? https://www.ntanet.org/wp_content/uploads/proceedings/200/003.
- Fuest, C & Riedel, H (2009). Tax evasion, tax avoidance and tax expenditures in developing countries. Oxford University Centre for Business Taxation. <https://assets.publishing-service-gov.uk/media/579086.3de5274a3ie>.
- Galica, J. (2015). Corporate tax havens: analysis of an aggressive tax approach as a strategic necessity for large multinational corporations. *Honors Scholar Theses*. 436. http://digitalcommons.uconn.edu/srhonors_theses/436.

- Gbadago, F. Y, Anlgo, V & Dadson, A (2015). Gift tax compliance in Ghana: evidence from Kumasi metropolis. *Journal of Accounting and Taxation*. <https://doi.org/10.5897/JAT.0160>. Vol.7 (2) pp.29-37.
- Guenther, D.A, Matsunaga, S. R & Williams, B. M (2012). Corporate tax aggressiveness and firm risk. <https://www.researchgate.net/publications/256035639>
- Hanlon, M., & Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*, 93, 126–141. <http://dx.doi.org/10.1016/j.jpubeco.2008.09.004>
- Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 127–178. <http://dx.doi.org/10.1016/j.jacceco.2010.09.002>.
- Harvey, J. R (2014). Corporate tax aggressiveness: recent history and policy options. Villanova University School of Law and Graduate Tax Program= national tax journal \67(4).
- Healy, P. M & Wahlen, J.M (1999). A review of the earnings management literature and its implications for standard setting. An International Journal of American Accounting Association (AAA) vol.13, issue 4 pp365-383. <https://doi.org/10.2308/acca.13.4.365>.
- Heitzman, S. & Michelle, H(2010). A Review of Tax Research. <https://papers.ssrn.com/5013/papers.cfm?id=1476561>. 138 pp.
- Hoi-wu, C.K & Zhang, H (2013). Is Corporate Social Responsibility (CSR) Associated with Tax Avoidance? Evidence from Irresponsible CSR Activities. *The Accounting Review*. Nov.2013. 88(6) pp2025-2059. <https://doi.org/10.2308/50544>
- Hurwich, D., (2001). “Tax avoidance discussed”, the chartered institute of taxation. An appraisal of Nigerian companies income tax administration and tax payers attitude towards it. A paper presented at a seminar organized by the Department of Accountancy.
- Jeongho, K & Chaenling, V (2017). Corporate tax reform and wages theory and evidence. *Journal of the Council of Economic Advisers*. https://www.whitehouse.gov/sites/whitehouse.gov/files/documents/tax_reform_and_wages.
- Kahayu. Y.N, Eka, M.S & Sudjatno, A. T (2017) .The Role of Taxpayers Awareness, Tax Regulation and Understanding in Taxpayer Compliance. *Journal of Accounting and Taxation*. <https://doi.org/10.5897/JAT.0267>.
- Koumanakos, E., Roumelis, T & Goletsis, Y (2017). Corporate tax compliance during macro-economic fluctuations. *Journal of Accounting and Taxation*. <https://doi.org/10.5897/JAT.0257>. vol.9 (4) pp.36-55.
- Lanis, r, & Richardson, K (2013). Corporate social responsibility and tax aggressiveness: a test of legitimacy theory. *Accounting, Auditing & Accountability Journal*. 26(1).pp75-100. <https://doi.org/10.1180/09513571311285>
- Lee, B. B. Alfreda, D. & Minton, S. (2015). Theories and Empirical Proxies for Corporate Tax Avoidance. *Journal of Applied Business and Economics* Vol. 17(3).
- Margaret, M & Chris, E (2009).Sustaining Growth in Developing Economic through Improved Taxpayer Compliance: Challenges for Policy Makers and Review

- Authorities. *E-journal of Tax Research*. 7(2), [https://www.business.unsw.edu-
au/research.site/publications-site/ejournalof tax research](https://www.business.unsw.edu.au/research.site/publications-site/ejournalof tax research)
- Maydew, E.L , Dyreny, S.D & Halon, (1997). The effects of executives on corporate tax avoidance. *The Accounting Review*, vol.85(4) pp1163-1189. <https://scholar.google.com/citations.user>.
- Maydew, E.L(2001). Empirical Tax Research in Accounting: A Discussion. *Journal of Accounting and Economics*. www.elsevier.com/locate/econbase.
- Mgbame, C.O ,Chijioke-Mgbame. M.A & Yekini,C.K (2017). Corporate Social Responsibility Performance and Tax Aggressiveness. *Journal of Accounting and Taxation*. <https://doi.org/10.5897>. vol. 6.
- Mills, L.F& Newsberry, K.J (2001). The influence of tax and non-tax costs on book-tax reporting difference: public and private firms. *The Journal of American Taxation Association*. 23(1), pp.1-19
- Michelle, H., &Joel, S. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*.
- Ohlson. J.A (1995). Earnings, Book Value and Dividends in Equity Valuations, *Contemporary Accounting Research*. <https://doi.org/10.1111/j.1911-3846.1995.tbook461.x>
- Rego, S. (2003). Tax-avoidance Activities of U.S. Multinational Corporations. *Contemporary Accounting Research* 20 (January 2003): 805-833.
- Shevlin.T ,Blaylock, B & Gaertner, F (2016). The Association between Book-Tax Conformity and Earnings Management. *Journal on Review of Accounting Studies*. 20(1) pp. 141-172 publisher. Springer .U.S.
- Zangani. E & Caiumi, A (2017). Tax Uncertainty: Economic Evidence and Policy Response. European Commission, Taxation Paper (working paper) No. 67 . <https://ec.europa.eu/taxation.custom/sixes/taxation/files/taxation paper-67>.