CORPORATE GOVERNANCE MECHANISMS AND TAX AVOIDANCE AMONG DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

The relevance of corporate governance in influencing every aspect of corporate management including tax expense reduction cannot be over emphasized. This study examines effect of corporate governance mechanism on tax avoidance among deposit money banks in Nigeria. The study employed a multiple regression technique to test the effect of board gender diversity, financial expertise of board members, frequency of board meeting, board composition and age of corporation on tax avoidance. The study used a sample of 10 deposit money banks within the period of ten years (2012-2021). The study found significant positive effect of board gender diversity, financial expertise of board members and board composition on tax avoidance while frequency of board meeting and age of corporation were found to have insignificant effects of tax avoidance. The study recommends that since increased cumulative equity ownership by members of the boards of directors of deposit money banks significantly aligns the interests of owners and directors in relation to the goal of paying less taxes, owners should institute more share-based bonuses for executive directors and/ require on-executive directors to take up some minimum number of shares during their tenures.

Keywords: Board composition**,** board financial expertise, board gender, board meeting, corporate governance mechanisms, tax avoidance

INTRODUCTION

The effective delivery of public service, implementation of fiscal policies to maintain economic, social and political interests via rules and official and administrative levers of government requires the collection of taxes from individuals and corporate bodies. Tax is thus a sum of money that the government obtains from individuals, companies and public institutions according to rules and regulations, for the purpose of strengthening the government and providing and maintaining public supply (Sarvestani, 2012). The payment of tax transfers wealth from companies and their owners to the government; hence, most companies design and implement their management practices in such a way that minimizes their tax obligations (Mehrani & Seyyedi, 2014).

In accounting literature, tax avoidance has been defined in both broad and narrow dimensions. Broadly, tax avoidance is the apparent decline in tax per each Rial of accounting profit before tax. Some define tax avoidance as taking legal actions in order to reduce tax liabilities. In a narrow sense, conceptual distinction between tax evasion and tax avoidance is rooted in legality of the payers' actions. Tax evasion is a misdemeanor, where tax payers refuse to report their taxable income or wealth, takes illegal actions, which exposes them to legal actions by tax authorities. In contrast, tax avoidance is done within the framework of tax laws and the payers have no reason to worry about the probable investigation of their actions (Jahromi, 2012).

Nigeria's tax revenue to GDP ratio plummeted from 20% to 12% following the rebasing of the country's GDP in 2014, which saw the country's GDP rise from N42.3 trillion to N80.3 trillion, making it Africa's largest economy. Only 4% of the total revenue was attributed to non-oil sources. This prompted the then Minister of Finance, to urge for a redoubled effort by tax authorities to generate revenue. The Minister's appeal, as well as Oxfam's (2014) assessment that rising economic gaps are the second largest global concern in 2014, highlight the necessity to investigate the many sources of development funding, particularly taxation.

The unpredictable nature of oil revenue, on which the Nigerian economy is heavily reliant, act as additional motivation to better harness other revenue streams, such as taxes. In looking at how to better harness tax revenues, it is widely recognized that two key acts of individuals and businesses - tax evasion and tax avoidance - pose significant danger to tax revenue collections; and these are frequently discussed in relation to equality and efficiency. While both are forms of tax evasion, the difference between the two resides in the fact that tax evasion is considered unlawful by definition, whilst tax avoidance is not. Regardless of the demarcation between the two, governments of advanced economies have given considerable attention to the pair through necessary institutions. Also, the challenges of tax evasion and tax avoidance have spurred studies, ranging from determining their causes both for individuals and corporations to examining their consequences on public service delivery and economic growth.

Researchers have paid particular attention to determining the factors that explain individuals' and companies' capacity and propensity to avoid paying taxes. The focus on tax avoidance rather than tax evasion is due to the fact that evasion is a criminal offence that must be proven in court. As a result, the phrase avoidance is considered less dyslogistic. When it comes to corporate tax avoidance, however, scholars like Shackelford and Shevlin (2011) have questioned the relevance of individual tax evasion and avoidance models like the Allingham and Sandmo (1972) framework in understanding and forecasting corporate tax avoidance. They stated that because businesses have separate ownership and control, existing individual tax non-compliance frameworks cannot appropriately explain the same for corporations.

The aim of this study therefore, is to examine the effect of corporate governance mechanism as factors that could inform tax avoidance by deposit money banks in Nigeria.

LITERATURE REVIEW

Theoretical Framework

This study takes its bearing from agency theory. Fama and Jensen (2019) and Berle and Means (2019) traced the historicity of agency theory to Smith (1776) and Jensen and Meckling (1976) in their characterization of corporations in terms of separation of "ownership" and "control." Eisendhart (2018) posits that the origins of agency theory can be traced to the period of the 1960s and early 1970s; a period that heralded the publication of studies such as Wilson (1968) and Arrow

(1971) on risk sharing among individuals as well as studies such as Ross (1973) and Jensen and Meckling (1976) on how agency problem arises with co-operating parties that have different goals and different risk preferences.

Concept of Corporate Governance

The concept of corporate governance has assumed increased prominence in the global business environment especially since after the global financial crisis that shuttered many companies all over the world. The failure and collapsed of well-known companies in contemporary times have also alerted stakeholders in the corporate world to revisit the concept of corporate governance. However, extant literature does not provide a universal definition of corporate governance. Rather, there are international standards and guidelines on corporate governance which have been established by many Multilateral Organizations such as the Organisation for Economic Co-operation and Development (OECD) and Basle Committee, in efforts to ensure improved legal, institutional and regulatory framework for enhancing corporate governance practices in corporates institutions such as banks and financial markets (Kibirango, 2002).

The OECD (2015) defines corporate governance as the set of relationships between a company's management, its board, its shareholders and other stakeholders. Bhasin (2012) sees corporate governance as the principal processes that set the relationship between a firm's management, corporate board, minority and majority shareholders and all stakeholders. Again, Sayogo (2016) defined corporate governance as a process where rules and ethical standards govern the relationship in organizations, and its legal framework is developed for achieving corporate objectives, and covering all stages of planning, internal control, performance evaluation and disclosure of corporate information.

The variegated conceptualization of corporate governance is influenced by difference in cultural, political, economic, and legal systems of countries in which corporate governance is practiced (Salacuse, 2018). Herein, corporate governance is described as the set of processes, policies, rules and institutions that affect the way a corporation is led, administered or controlled, including the relationships among principal players (shareholders, management and board of directors) and other stakeholders (employees, suppliers, customers, lenders, regulators, the environment and the community at large) of the corporation.

Corporate governance does not operate in a vacuum. Specific mechanisms, sometimes referred to as controls exist, and are used to achieve corporate governance objectives. Brown et al. (2017) classified governance controls or mechanisms as either internal or external. This classification offers the benefit of easing the analysis of the efficacy of governance practices. Internal governance refers to the top-level control structure, consisting of decision rights possessed by board of directors and CEOs, the procedures for changing them, the size and membership of the board and the compensation and equity holdings of managers and the board (Jensen, 2014). Conversely, external governance mechanisms include all other monitoring exerted by outside parties on the corporation. This typically includes: government regulations, competition, the markets for managerial labor and corporate control, external audit, activists, analysts as well as a host of other outside influences that monitor the activities of the corporations.

This study focuses on board size, board gender diversity, financial expertise of board members, frequency of board meeting, board composition and age of corporation members as dimensions of corporate governance mechanisms.

Board size: This simply refers to the number of people who make up the board. Board of directors is one of the most important corporate governance mechanisms (Jensen, 1993). This mechanism should, in theory, reduce the agency problems inherent in public companies. The academic literature has focused on specific characteristics such as board composition and CEO duality which are ignored in this study. This is because of the similarities in the board composition and the separation of the roles of CEOs and chairs across the sample used in this study. Since there has been relatively little work on the association between board size and firm performance, the board size variable is used in this study to see whether it has an effect on firm performance.

Lipton and Lorsch (1992) and Jensen (1993), among others, state that board size is a good monitoring mechanism. Haniffa and Coke (2006) examine the relationship between corporate governance structure and firm performance. Their results show that board size and top five substantial shareholdings have significant relationship with market and accounting performance measures. Anthony and Nicholas (2006) study the effect of selected corporate governance indicators such as board size and CEO duality on firms' financing decisions and found that larger board sizes use more debts regardless of their maturity period. This indicates that board size has impact on firms' financing choices and hence on firm performance.

Board gender diversity: This refers to the gender distribution of the individuals that make up the board of directors. Traditionally, boards mostly comprise males. However, the trend has changed considerably in advanced economies; and the change is also sweeping into emerging economies, as more females get appointed or elected into boards. This implies that board decision-making, which hitherto, tend to be male-dominated will begin to accommodate views from both ends of the divide. Although there is a growing body of work on the link between board gender diversity and firm performance, existing empirical evidences concerning the relationship are mixed when using data from different countries. Some studies provide evidences of positive relationships (e.g., Arun et al., 2015; Campbell & Mínguez-Vera, 2008) and at time, a negative link (e.g., Adams & Ferreira, 2009; Ahern & Dittmar, 2012; Terjesen et al., 2016).

Financial expertise of board members: This dimension addresses financial the literacy and board members' knowledge of, and about financial matters. Information on financial expertise of independent directors is collected from annual bank proxy statements. Similar to Guner et al. (2008), an independent director is classified as a financial expert if he or she has one of the following or has ever held any of the following; held an executive position at a banking institution (Former bank executive), holds an executive position at a nonbank financial institution (Executive of nonbank financials), holds a finance-related position (e.g., chief financial officer, accountant, treasurer, vice president (VP) finance) of a nonfinancial firm (Finance executive of nonfinancial), holds an academic position in a related field (e.g., Professor of finance, economics, or accounting), or works as a hedge fund or private equity fund manager, or venture capitalist (professional investor).

Frequency of board meeting: The agency theory postulates that the board is the main monitoring mechanism for solving agency problem (Hermalin & Weisbach, 2001). However, the inner workings of the board reside in board committees. The agency theory further suggests that for board committees to work effectively, they should be composed of experts and majority independent outside directors (Hamdan et al., 2013). Several national and international regulatory bodies, for example, the Ghanaian Corporate Governance Guidelines recommends the formation of audit, remuneration and nomination standing committees. Practical evidence in examining the effect of board committees (nomination, audit and remuneration) on firm's performance is inconclusive.

The supervisory role expected from the board is exercised in the board meetings (Ntim, 2009); and the effectiveness of the board's responsibilities and functions can be determined by the frequency of board meetings (Lipton & Lorsch, 1992). Vefeas (2003) and Conger (1998) suggests decisions emanating from board meetings are effective in minimizing conflict of interest and agency cost. Thus, frequency of board meetings translate to principals' value maximization (Ntim & Osei, 2013). Frequency of board meetings also enables directors to evaluate and improve current strategies, as well as the performance of executive management (Vefeas, 2003).

Board composition: Board composition is a corporate governance mechanisms that ensures suitable balance of power in the board, so that no one individual or group of individuals dominate board decision-making. McColgan (2001) argues that board effectiveness is achieved when board composition separates board decision management from decision control functions. Boards with a majority of independent outside directors who share no material connection such as family ties, financial relationship, employment, professional services and interlocked directorship with management have been described as independent and effective (Ayuso & Argandoña, 2007; Shivdasani & Zenner, 2005). Independent or non-executive directors are generally regarded as experts who can contribute to organizational success by bringing into the board, their expertise, experience and knowledge to positively influence corporate governance outcomes (Haniffa & Cooke, 2006). Furthermore, higher presence of outside directors promotes higher levels of voluntary disclosure (Barako et al., 2006).

Age of corporation: The relationship between firm age and survival has been investigated by a growing number of scholars (Mata & Portugal, 2004; Bartelsman et al., 2005; Marcus, 2006), but the results have not been clear-cut. An early contribution coined the term "liability of newness" to describe how young organizations face higher risks of failure (Stinchcombe, 1965). He coined this term to highlight that young firms are obligated to promote social interactions within their organizations, and with external organizations in order to sustain the additional learning costs involved in new roles and new tasks. For Thornhill and Amit (2003) the liability of newness may extremely compromise firm growth rates and eventually lead to mortality.

Concept of Tax Avoidance

Tax avoidance is the use of legal methods to minimize the amount of tax payable by an individual or a business (Oktaviani et al., 2019; Richardson & Lanis, 2007). It is generally done by claiming as many deductions and credits as allowed. It can also be achieved by prioritizing investments that have tax advantages, such as buying municipal bonds (Salehi et al., 2019). Besides, tax avoidance is manipulating the amount of tax payable or setting an event to minimize taxes under taxation provisions (Dewi & Jati, 2014; Richardson & Lanis, 2007). Tax avoidance is not prohibited according to tax regulations, even though it often receives unfavorable attention because it has negative connotations or is considered unpatriotic (Desai & Dharmapala, 2007).

Most studies of tax avoidance and evasion write about the two concepts as if what the terms mean is clear, and assume that the problem is one of analyzing the various incentives to engage in the two activities (Weisbach, 2015). The reality, however, is that there are differing views as well as perceptions particularly with regards to the avoidance phenomenon. One possible reason for the varied perceptions could lie in the fact that the tax avoidance phenomenon lies at the intersection of several disciplines; Law, Economics, Accounting, Finance, Sociology and even Psychology all have perspectives relating to the avoidance phenomenon.

Given the said multifaceted perceptions as well as subject-oriented nature of the phenomenon of tax avoidance, Lietz (2013) suggests that a conceptual framework for tax avoidance must of necessity be capable of not only aggregating existing views but should also be able to leave room for possible future views and dimensions to the phenomenon. However, whether or not such aggregation is possible depends on our ability to actually understand the divergence points of the existing views. A look at them individually is therefore necessary.

In practice, researchers (Slemrod & Yitzhaki, 2012; Mclaren, 2018) point out that the line between tax evasion and avoidance is not so clear. Tax avoidance is thus, severally referred to as a "grey area" between outright tax evasion and being tax compliant (Slemrod & Yitzhaki, 2012; Murphy, 2018). It is a process of getting round taxation law without actually breaking it (Murphy, 2018). Mclaren (2018) further lamented that in Australia, the distinction between tax evasion and tax avoidance has continually become blurred due to laws that refuse to demarcate what constitute either the former or the latter; but rather define activities as "tax exploitation". Mclaren cites for instance Division 290 of the *Taxation Administration Act 1953* (Cth) which ignores the distinction between tax avoidance and tax evasion and deals instead with "tax exploitation schemes" as well as the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth) (AML/CTF Act) as examples of laws that blur any clear cut demarcation between the two activities. Potas (2013) had earlier pointed out the increased blurring of the difference between the two terms had led to the use of "non-compliance" and "compliance" respectively in lieu of the said terms.

Corporate Governance Mechanisms and Tax Avoidance

The concept of corporate governance has been a subject of study in several fields in organizational studies. The concept has garnered increased attention over the years due to increased shift toward transparency and accountability in the administration of corporations. The view of Brown et al. (2017) that internal and external corporate governance structures eases the analysis of the efficacy governance practices and allows firms to achieve stated objectives while relating responsibly with stakeholders, further attract attention to studies on corporate governance. Literature is replete with such studies on corporate governance. However, this subsection of the study looks at a few empirical studies that have been conducted on corporate governance and tax avoidance.

Armstrong et al. (2015) examined impact of governance on tax avoidance; and found that a positive relationship exists between the percentage of non-duty members and tax avoidance, and that companies with greater institutional ownership avoidance taxes more. Richardson et al. (2014) examined whether or not incentives granted to managers lead to reduction in tax avoidance. The results of their study indicated that company's financial status, tax allocation of managers and rewards and incentives tied to the performance of managers is positively and significantly associated with tax avoidance.

Relatedly, Dhaliwal et al. (2011) investigated the relationship between tax avoidance and amount of cash held in the company. The results indicated that there is a negative relationship between tax avoidance and amount of cash, and that this negative correlation is weaker in companies with stronger governance mechanisms. Lanis and Richardson (2011) in their study, concluded that the number of non-duty board members have a negative significant relationship with aggressive tax policies. In other words, the greater the number of non-duty board members, the less the company is inclined to financial management.

Minnick and Noga (2010) conducted examined effects of features of corporate governance principles on tax management. The study revealed that rewards act as incentives for managers to invest in long-term and tax-reducing plans; that tax management has benefits for shareholders, and that tax management positively associates with increased profit of shareholders. Similarly, Mashaiekhi and Seyyedi (2015) investigated corporate governance and tax avoidance. The results indicate that there is no significant relationship between corporate governance and tax avoidance. Also, Nwaorgu et al. (2020) examined effect of corporate tax on sustainable financial performance of firms in Nigeria. The study revealed that corporate tax payment has no significant effect on return on equity of firms; and that corporate tax payment has positive significant effect on debt to equity ratio of firms.

Furthermore, Israel and Ebimobowei (2021) investigated tax avoidance practices among Nigerian firms from 2015 to 2019 to determine the effects of corporate governance attributes. The study revealed that audit size has a positive and significant impact on tax avoidance by firms in Nigeria. Based on these reports of prior studies, the following hypotheses are formulated to guide data collection and statistical analyses and interpretation:

Ho_1: There is no significant relationship between board size and tax avoidance of deposit money banks in Nigeria.

Ho_2: There is no significant relationship between board gender diversity and tax avoidance of deposit money banks.

Ho_3: There is no significant relationship between financial expertise of board members and tax avoidance of deposit money banks in Nigeria.

Ho_4: There is no relationship between frequency of board meeting and tax avoidance of deposit money banks in Nigeria.

Ho_5: There is no significant relationship between board composition and tax avoidance of deposit money banks in Nigeria.

Ho_6: There is no significant relationship between age of corporation and tax avoidance of deposit money banks in Nigeria.

METHODOLOGY

This section explains the methodology used in conducting this research. It explains the research design, the population of the study, sample size and sampling techniques, the sources and method of data collection. It further explains the variables of the study and how they are measured and the techniques employed for analyzing the data.

Census sampling technique was used through applying criteria, for a bank to be part of the sample; the bank should be qualified in terms of the following: the firm must be quoted on or before 31st December, 2012 and must not have been delisted throughout the study period. In addition, the firm must be operational throughout the study period. This is necessary to get complete set of data for the study period. The application of the criteria resulted to the selection of 10 banks.

The researcher used secondary source of data for the purpose of this work, which consist annual reports and accounts of the sampled bank obtained for analysis for the period of 10 years from 2012 to 2021. For the purpose of presentation and discussion of the result of data generated in the course of these research three (3) techniques of data analysis using Stata version 22 statistical tools of analysis. The regression was used for inference.

Model Specification and Variable Description

This is a technique of determining the impact of the explanatory variables on the dependent variable. The relationship is expressed as an equation that predicts a response variable from a function of regressor and parameters. For the purpose of this study the ordinary least square techniques was used. Hence the model is as follows:

ETR = f(BOG, BOF, BOM, BOC, Size, Age)

$ETR_{ti} = \beta_{0ti} + \beta_1 BOG_{ti} + \beta_2 BOF_{ti} + \beta_3 BOM_{ti} + \beta_4 BOC_{ti} + \beta_5 Size_{ti} + \beta_6 Age_{ti} + e_{ti}$

Where:

ETR_{ti} = Effective tax rate of company *i* in year *t*, BOG_{ti} = Board gender of company *i* in year *t* BOF_{ti} = Board financial expertise of company *i* in year *t*, BOM_{ti} = Board meeting of company *i* in year *t*, BOC_{ti} = Board composition of company *i* in year *t*, $Size_{ti}$ = Size of company *i* in year *t* Age_{ti} = Age of comapany *i* in year *t*, β_{0ti} = Constant (i.e the intercept), $\beta_{1\text{-}5ti}$ = Coefficient of the independent variables (i.e the slope), e_{ti} = Error term

Table 1: Summary of Variables and their Measurement

Variables		Measurement
Dependent Variable	ETR	ETR is measured by amount tax paid over profit
Independent Variables	BOG	Proportion of women directors to the total directors on the board
	BOF	Measured by the proportion of financial expert on the board
	BOM	Measured by number of meetings held by the board during the year
	BOC	Measured by number of numbers of non-executive directors over total directors
Control Variables	Firm size	Common log. of Total assets
Control Variables	Age	Year of listing

Source: SPSS output of data analyses

Correlation Result

The result shows the relationship between each independent variables and the dependent variable. The values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative) the absolute value of the correlation coefficient indicates the strength, with larger values indicating stronger relationships and lower values indicating weak relationships. The correlation coefficients on the main diagonal are 1.0, because each variable has a perfect positive linear relationship with itself.

Table 2: Correlation Matrix

	ETR	BOC	BOG	BOF	BOM	Size	Age
ETR	1						
BOC	0.291	1					
BOG	0.116	-0.305	1				
BOF	-0.387	-0.214	0.512	1			
BOM	0.147	0.447	0.262	0.098	1		
Size	0.272	0.104	-0.267	0.074	-0.079	1	
Age	0.416	0.125	-0.375	-0.462	-0.239	0.109	1

Source: SPSS output of data analyses

Table 2 above shows the correlation result of dependents variable ETR, independent variables BOC, BOG, BOF, BOM, AGE and SIZE. The relationship between ETR and independent variable BOC is positive with a coefficient of 0.291 representing 29.1 percent, this means that, all things being equal the higher the BOC the higher the ETR. The relationship between ETR and independent variable BOG is positive with a coefficient of 0.116 representing 11.6 percent this means that, all things being equal the higher the BOG the higher the ETR. The relationship between ETR and independent variable BOF is negative with a coefficient of -0.387 representing 38.7 percent this means that, all things being equal the higher the BOF the lower the ETR.

The relationship between ETR and independent variable BOM is positive with a coefficient of -0.147 representing 14.7 percent this means that, all things being equal the higher the BOM, the higher the ETR. The relationship between ETR and independent variable SIZE is positive with a coefficient of 0.272 representing 27.2 percent this means that, all things being equal the higher the SIZE the higher the ETR. The relationship between ETR and independent variable AGE is negative with a coefficient of 0.416 representing 41.6 percent this means that, all things being equal the higher the AGE the higher the ETR.

Regression Result and Hypothesis Testing

The regression result shows the impact of each independent variable to the dependent variable. The regression coefficient values indicate the extent of the impact which range from 0% to 100%. This section also presents the F statistics, R^2 and adjusted R^2 of the model.

Table 3: Regression Results

Dependent Variable: ETR				
Variable	Coefficient	Std. error	t-statistic	prob.t
(Constant)	-1.084	0.811	-4.284	0.0178
BOC	1.057	0.233	4.536	0.0298
BOG	1.188	0.452	2.628	0.046
BOF	2.609	0.905	2.882	0.0358
BOM	-0.016	0.113	-0.142	0.892
Age	0.0701	0.011	6.372	0.0145
Size	0.015	0.021	7.500	0.0149
R- squared	0.547			
Adj. R- squared	0.528			
F-statistics	5.233			
Prob. (R- squared)	0.0309			

Source: SPSS output of data analyses

Table 3 above shows regression results of the model. The model consists of dependent variable ETR and explanatory variables (BOC, BOG, BOF, BOM, AGE and SIZE). In the model the multiple coefficients of determination R^2 is 0.547. This means that 54.7 percent of change in effective tax rate (ETR) was caused by changes in explanatory variables BOC, BOG, BOF, BOM, AGE and SIZE; while the 85.3 percent change in ETR was caused by other factors not included in the model. The F-statistic is 5.233; which means that a model with a higher f statistic indicates that, the model account for the variation in the dependent variable and is statistically significant because the p-value is 0.0309 is less than 0.05.

The impact of independent variable BOC on dependent variable ETR is positive and significant with coefficient value of 1.057. This means that one-unit increase in the BOC while other variables remain constant will lead to increase in the ETR by 1.05 percent. This imply that we reject the hypothesis that there is no significant relationship between board composition and tax avoidance. The impact of independent variable BOG on dependent variable ETR is positive and significant with coefficient value of 1.188. This means that one-unit increase in the BOG while other variables remain constant will lead to increase in the ETR by 1.18 percent. This imply that we reject the hypothesis that postulate that there is no significant relationship between board gender and tax avoidance. The impact of independent variable BOF on dependent variable is positive and significant with coefficient value of 2.609. This means that one-unit increase in the BOF while other variables remain constant will lead to increase the ETR by 2.60 percent. This imply that we reject the hypothesis which postulate that there is a significant relationship between board financial expert and tax avoidance.

The impact of independent variable BOM on dependent variable is negative insignificant with coefficient value of -0.016. This means that one-unit increase in the BOM while other variables remain constant will lead to a decrease the ETR by 1.6 percent. This imply that we should fail to reject the hypothesis that stated that there is a significant relationship between board meeting and tax avoidance. The impact of independent variable SIZE on dependent variable ETR is positive and significant with coefficient value of 0.015. This means that one-unit increase in the SIZE while other variables remain constant will lead to increase in the ETR by 1.5 percent. This indicate that we should reject that hypothesis that there is no significant relationship between board size and tax avoidance. The impact of independent variable AGE on dependent variable ETR is positive and significant with coefficient value of 0.0701. This means that one-unit increase in the AGE while other variables remain constant will lead to increase the ETR by 7.1 percent. This imply that the hypothesis that there is no significant relationship between age and tax avoidance should be rejected.

CONCLUSION AND RECOMMENDATIONS

The literature on corporate tax avoidance has often tended to exclude banks from analysis. The usual reason given for their exclusion has often been that their regulation is different from that of other corporate entities. This study therefore isolated only banks for analysis and by doing so provided some insight, previously not documented, into the effect of internal corporate governance mechanisms on tax avoidance among DMBs in Nigeria. Arising from the findings of the study, it is concluded that making management co-owners makes them to act in the best interest of owners. This is because board ownership/ shareholding was found to play a significant role in facilitating increased tax avoidance among the studied banks. It is also concluded that the ability of board independence, i.e. having more number of non-executive directors on the board, as a pro-shareholder monitoring device in respect of tax avoidance in DMBs in Nigeria, is highly contingent upon the presence of owners of high concentrated ownership. It is also concluded that the effect of board size, as an advisory and monitoring corporate governance mechanism, on tax avoidance DMBs in Nigeria is significantly contingent upon the degree of ownership concentration.

This paper highlights the importance of internal governance mechanisms in the scheme of tax avoidance at the corporate level. Based on the findings of the study the following recommendations are made:

1) Given that fact that an increased cumulative equity ownership by members of the boards of directors of DMBs significantly aligns the interests of owners and directors in relation to the goal of paying less taxes, owners should institute more share-based bonuses for executive directors and/ require on-executive directors to take up some minimum number of shares during their tenures.
2) Moreover, based on the fact that having higher ownership concentration levels that amount to 27.6% and above seems to influence the efficacy of monitoring rendered by non-executive directors with regards to tax avoidance among DMBs as well as the quality of advice rendered by the board (represented by board size), it is recommended that shareholders, institutional or blocks should ensure that they possess ownership stakes of at least 27-30%. The 30% concentrated holdings will guarantee compliance with the several codes of corporate governance without necessarily making the boards overly independent.
3) In addition, since the study documented findings that are pro-shareholder as against pro government in respect of the effect of the studied corporate governance mechanisms on tax avoidance in DMBs, it is recommended that government review the provisions of the current existing codes of corporate governance.

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