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BOARD DIVERSITY ON TAX AGGRESSIVENESS OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

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ABSTRACT

This study investigated board's diversity on tax aggressiveness of the listed non-financial firms. Adopting the expo-facto research design using secondary data, a total of 70 firms out of 109 firms in the non-financial sectors listed on the Nigerian Exchange Group as at December 2010 were purposively sampled based on their consistent, uninterrupted operations during the period. Data extracts from the audited financial reports of the firms and the Nigerian Exchange Group factbook for the periods 2011 to 2021 were analyzed using standard deviation, percentages, regression analysis (panel fixed effect and random effect model). The results revealed that board diversity, proxied by ethnic background diversity, had significant negative effect on corporate tax aggressiveness ($t = -2.88$; $p<0.05$), even as board gender diversity ($t = -3.27$; $p<0.05$) and board independence ($t = -4.93$; $p<0.05$) negatively affected corporate tax aggressiveness significantly.

Key words: *Board Diversity, Non-financial firms, Tax Aggressiveness.*

INTRODUCTION

Tax aggressiveness refers to the manner in which corporations reduce their tax liability in a variety of legal and unlawful ways. Tax policies and laws are explored by tax citizens and utilised for reasons other than that intended by the tax system. This practice is attractive to corporations because it increases their after-tax revenue and potentially increases shareholders' value. Tax is a means through which government generates revenue to the state from the citizens (individual or corporate). The government uses taxes to finance state expenditures. One of the obstacles to the generation of sufficient revenue by the government is the widespread practice of tax aggressiveness that seeks to minimize the amount paid by companies as taxes, either through the use of loopholes that exist in government tax laws or unacceptable means that leads to what is being referred to as tax evasion (Rahman & Utami, 2021). Tax Aggressiveness (TA) is a universal problem affecting both developing as well as developed economies with global losses from the income tax of companies estimated to be within the range of $500 billion and $650 billion annually (Economic Development in Africa Report (EDAR), 2020).

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Corporate taxes, especially in developing nations, are necessary for industrialisation as well as stability of government in order to create sustainable channels of mobilising income for the government to discharge its responsibilities to citizens. There are equitable and practical rationale for firms to pay corporation taxes, as they benefit from a country's improved infrastructure (Hilling & Ostas, 2017). The payment of taxes constitutes a social responsibility to business organisations. The more government is able to get from companies in the form of taxes, the more financial resources are available in its coffers to provide basic social amenities to its citizens (Vacca, Lazzi, Vrontis & Fait, 2020). Globally, government thrives on taxes for the sustenance of budgets and this explains its great interest in the tax sector because it is the largest source of state revenues. Consequently, every tax payer (individual or corporate) is expected to actively participate in order to boost the gross domestic product rate and facilitate the implementation of national development plans for state welfare. Government sets statutory tax rate at which corporations are to be taxed. However, the nominal tax payments made by most companies are not reflective of the actual amounts at the rate approved by government. Consequently, the actual average tax rate is more often than not, lesser than the approved rate, implying an effective tax rate which is a key indicator of the degree of tax aggression. Hence, there is a growing increase in the dissimilarity in the accounting profits disclosed to shareholders and the profits disclosed to the tax authority when filing corporate tax returns.

This gap in accounting information used by shareholders and that used by the tax authorities is called Book-Tax-Difference or Book-Tax-Gap (Lanis & Richardson, 2011). Multinational firms by nature, operate beyond the borders of a country. This nature of international operations gives them an advantage to abuse tax. This is as a result of the fact that they can easily relocate their economic activities to countries or tax jurisdictions with lower tax rates or even zero tax payments. Multinational companies operating in some African countries including Nigeria to a large extent contribute to Illicit Financial Flows (IFFs) through tax aggressiveness and evasion. Contrary to public opinion that illicit financial flows from corruption by African despot account for major part of illegal outflows from the continent, the Global Financial Integrity Report (2015), has revealed that embezzlement and bribery amount to just 3% of IFFs while criminal activities like drug trafficking and smuggling constitute about 30%- 35% and trade-related activities of multinational companies make up a vast 60%-65%. Consequently, multinational firms are major actors in tax aggressiveness. Similarly, the High-Level Panel Report (2015), observed that multinational corporations are involved in exports under-valuation, commercial tax abuse and other ill practices and these account for the most part of the IFFs from Africa. The report observed further that African

countries continue to suffer from fund shortage owing to the indebtedness of the global community to it as a result of the size of illegitimate financial drains from these countries to other parts of the world.

Joseph and Omodero (2019), reported that capital flights carried out by multinational firms through tax abuse, banking secrecy and transfer pricing are mysterious avenues through which Nigeria's huge financial resources continue to bleed. This depletes the resource base of the nation and invariably creates problem for development finance. Government decisions regarding the taxes of corporate organisations have effect on the decision making of multi-national organisations as to where to domicile their economic activities and locate their earnings. These decisions affect government revenue and consequently, they constitute part of the drivers of government tax policy formulation. Additionally, in different countries under different tax laws, policies and jurisdictions, multi-national companies experience varying operational challenges which often necessitate intentional reduction in taxable income and a corresponding decrease in tax obligations. The diversity of the board of directors (BoDs) may have an effect on the degree to which a company attempts tax reduction. Corporate governance (CGov) systems instituted in the composition structure of the BoDs have been shown to influence tax aggressiveness and tax decisions in general. Good CGov is often connected with a company's correct tax payment, responsibility, accountability and processes for ensuring good corporate behaviour and protecting stakeholders' interests (Waluyo 2017). Effective management of taxes is important for the achievement of the interests of shareholders as well as the maintenance of good reputation. This is why Ogbeide and Obaretin (2018) posit that corporate business entities must try to avoid falling into the trap of tax evasion by applying the mechanisms of corporate governance to tax issues.

From the foregoing, there is no doubt about the centrality of taxes to profitable corporate operations and this puts the BoDs, a body of individuals chosen to represent the owners of company on the spot. The board governs and makes policies for the management of companies. Regardless of company size, the BoDs has the responsibility of minimizing tax charges and is always accountable to the people who own the resources of the organisation and others who are affected in one way or another through the existence of the organisation. The management and boards of directors use every available and known approach to legally reduce tax bills. They determine the types of tax expenditures that could be minimised within applicable tax jurisdiction to the favour of the organisation, especially through increased net earnings. Thus, tax aggressiveness, the lowering of tax liability is a typical practice among

corporate individuals (Aliani & Zarai, 2012). This study therefore analyses the effect of Board Diversity on Tax Aggressiveness of listed non-financial firms in Nigeria.

Objectives

The main objective of this study is to examine the effect of board diversity on tax aggressiveness of listed non-financial firms in Nigeria.

The specific objectives are to:

1. evaluate the effect of gender diversity on the level of tax aggressiveness in listed non-financial firms.
2. assess the effect of ethnic diversity of board members on tax aggressiveness.
3. determine how board independence affects corporate tax aggressiveness.

Hypotheses

The following null hypotheses were formulated for empirical testing:

H_{o1}: Gender diversity has no significant effect on tax aggressiveness of listed non-financial firms in Nigeria.

H_{o2}: Ethnic diversity of the board has no significant effect on tax aggressiveness of listed non-financial firms.

H_{o3}: Board independence does not significantly affect tax aggressiveness of listed non-financial firms in Nigeria.

LITERATURE REVIEW

Corporate Tax

The income of individuals that is usually subjected to tax include among others: wages, salaries, interest, dividend. Corporate tax depicts imposed levy on the net income of an organisation within a certain tax jurisdiction (Oyebanji, 2010). Corporations pay taxes as a deduction from net income and managers are generally limited in their options for lowering the tax bill. This can lead to instances of aggressiveness or evasion with the former being the more common. Acceptable tax avoidance and undesirable tax avoidance are two types of tax avoidance attitudes (Fadhilah, 2014). In Nigeria, the income tax of corporate organisations is controlled by the Companies Income Tax Act, 2007. The tax administrative agency of the government, Federal Inland Revenue Service (FIRS), is saddled with the management of the income tax of corporate organisations.

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Corporate Tax Aggressiveness

Various academics have referred to corporate tax aggressiveness as tax evasion, tax planning, abusive tax planning, tax management, tax sheltering (Boussaidi & Hamed, 2015; and Richardson *et al*., 2013). In the opinion of Chen *et al*. (2010), the categorisation of tax optimization activities may be done into three distinctive groups namely: grey, legal and illegal actions tailored towards the lowering of tax payments. Tax planning activities falling within the acceptable legal areas are considered as tax avoidance. However, when this is done aggressively, they can also go into the disputed area. Tax aggressiveness, according to Hanlon and Heitzman (2010), is established as a strategy used by taxpayers to lower the amount of taxes owed in relation to the statutory tax rate. Tax aggressiveness strategies are frequently used to limit the tax burden, thereby increasing the take-home per unit of investment and liquid funds accessible to shareowners in the form of dividend. As a result, it could show a decrease in the income that can be subjected to tax when managed through lawful tax planning as well as measures that may be considered criminal in specific cases to lower tax burden (Oyeleke *et al.*, 2016).

Corporate Board of Directors

A corporate BoDs is the apex governing organ of an organisation or company with its members elected by the shareholders (where the company is a public one) and vested with the responsibility of setting strategy, overseeing the management of the organisation as well as protecting the stakes of both shareowners along with other categories of associated parties. A BoDs is elected, constituted and required to use their expertise and experience to guide and oversee a company in ensuring sustainability and profitability (Saidu, 2020).

Board Diversity

Diversity as a concept in the governance of legal entities involves the membership of the BoDs and the many expertise, features and attributes that individual member of the corporate governing body brings to the board process and resolutions. Gender, Age, commercial and industry experience, culture, ethnicity, representation at constituency level, religion, professional affiliation, independence, knowledgeability, technical expertise and skill, career and life experience are all examples of the different forms that diversity can take in the boardroom among directors. (Milliken & Martins, 1996). The heterogeneity of the BoD tells of the inclusion of a variety of distinctiveness in the compositions of the board, which can be classified into directly visible (e.g., ethnicity, age, gender) and concealed (e.g., job experience and education) factors (Galia & Zenou, 2013).

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Board Gender Diversity

It has been claimed that women are instrumental in the compliance and obedience to the requirements of laid down rules, laws or regulations and more especially in tax related problems. Hence, in the United States of America, the Higgs Derek Report (2003) suggests that heterogeneity on the board can enhance its effectiveness and consequently, submits that organisations benefit from having professional women on their boards. Through the institutionalisation of governance structure of corporate organisation that is effective, the board is in charge of monitoring and reviewing management to make sure they consider the interest of shareholders as paramount.

Board Ethnic Background Diversity

Heterogeneity of thoughts in the process of making decisions by boards is being fostered by minority-group directors (Westphal & Milton 2000; Carter *et al.*, 2003). An ethnically heterogeneous board stands to have a sharpened insight of the needs and choices of stakeholders belonging to same ethnic group thereby, improving corporate social responsibility transparency (Plessis, Saenger & Foster, 2012). Since it is known that ethnic groups are distinctive culturally from one another, the participation of representatives from differing ethnic affiliations on the board is critical for business purposes and the development of strategies, as they are better acquainted with their own group than others (Khan, Khan & Saeed, 2019). According to Shukeri, Shin and Shaari, (2012), ethnic diversity among board members leads to the expansion of ideas, experience and knowledge by exposing them to a variety of information and resources from various cultural backgrounds.

Theoretical Review

Stakeholder and Feminist Ethics Theories

This study is anchored on stakeholder and feminist ethics theories. The first theory which is the stakeholders' theory underscores the need for the interest of all critical parties to be protected by the board whereas the second theory which is the feminist ethics theory focuses on the ethicality and morality of such protection. Drawing from the stakeholders' theory, governments are part of external members of an organization who are influenced by the operations of a business and also impact the operations of organisations. The BoDs is not only representing the shareholders but all other parties affected by the organization and who also affect organisations including the government. Considering the feminist ethics theory, it is ethical to pay taxes to government and it is a signal to the degree of a company's sense of duty and obligations to its social responsibilities. It therefore follows that, a company that

aggressively pursues tax avoidance or is highly tax aggressive to the extent that the revenue that accrues to government from taxes is negatively affected, is socially irresponsible.

Empirical Studies

Kato and Long (2006) argued that directors who are independent of shareholders that control majority shares bring enhanced quality to corporate governance. This, they opined, would reduce TA. The study of Yeung (2020) discovered that when the independence of board members is increased, the ETRs reduces. Hence, the study submits that good corporate administration element is needed to strengthen corporate tax policy. Additionally, the support of board members in the interest of owners impacts the degree of TA through their function as overseers of the cardinal decisions of companies. Minnick and Noga (2010) have also shown that independent managers are effective in tax administration stemming from their accumulated experience. Consequently, they conclude that a counteractive connection exists between directors' independence and TA. Additionally, the study of Lanis and Richardson (2011) discovered that when the number of independent directors on the board is higher, the propensity of negative tax aggressive behaviour is reduced in Australia.

Shukeri *et al*, (2012), inquired into the consequence that the attributes of the BoDs can have on the performance of Malaysian listed companies using 300 randomly selected firms and found a remarkable impact of ethnic diversity on performance as measured through the return on equity. Abdullah and Ismail (2013), in Malaysia had examined the diversity on the board of top 100 non-financial businesses and discovered no remarkable interconnection between ethnic diversity and the ROA of the businesses. The findings of the work of Abdullah and Ismail (2013) is further supported by the work of Anggraeny and Soepriyanto (2023). Lanis *et al.,* (2015), reported a counteractive connection of great significance between ethnic diversity and the effective tax rates in 418 US firms from 2006-2009. Lanis *et al.,* (2015) had also reported the reality of a remarkable counteractive connection between ethnic diversity and book-tax-gap.

Gomes (2016) analysed the data of twenty companies within the production sector listed on the NGX from 2006-2016. Their investigation found no notable connection between diversity and TA. The variables of corporate administrations under investigation were board independence, CEO duality and board composition of data spanning a decade (2006–2016) from 20 companies within the production industry listed on the NGX. The research discoveries found no remarkable interconnection between board diversity and TA.

Ilaboya and Ashafoke (2017), investigated the "Board Ethnic Background Diversity and the Performance of Nigerian Banks" from 2010-2015 using the ordinary least square regression model and found the reality of a notable counteractive relation between the ethnic diversity on the board and the returns on assets of the banks. This position is supported by the findings of the study of Kabara and Modibbo (2020) though not in totality.

Eragbhe and Aderin (2018) investigated board composition and tax aggression using a sample of 46 businesses that were listed between 2012 and 2016 on the NGX. The study found an unremarkable beneficial connection between tax aggressiveness and board independence in Nigeria. Additionally, the relation linking tax aggressiveness and the attributes of the board of directors—such as board composition, independence and duality was experimentally tested by Aburajab *et al.* (2019). Their findings demonstrated an adverse connecting link between board independence and composition on the one hand and tax aggressiveness on the other. Additionally, their findings showed a favorable correlation between tax aggressiveness and board duality. According to Li *et al.* (2018), there is a negative relationship between the likelihood of tax aggressiveness and the number of independent external directors. Additionally, the likelihood of tax aggressiveness is greatly decreased when independent boards with sound corporate governance practices are present.

Bosun-Fakunle, Josiah and Jacob, (2019) inquired into the effect of board features on TA. Data were collected over a ten-year period (2006-2016) from twenty production enterprises that are listed on the NGX. Regression analysis and correlation were used to analyse the data, with the assistance of SPSS software. The result revealed no remarkable connection between board size and TA. Also, there is no relationship between TA and independent directors. Therefore, it was advised that corporations prioritize operations and policies that would increase the wealth of their shareholders over those that would reduce their tax liabilities.

Kabara and Modibbo (2020), investigated at the "Impact of Ethnic Diversity on Financial Performance of 67 listed non- financial companies in Nigeria from 2012 -2017 using Tobin's Q and ROA to proxy performance". Relying on descriptive statistics, correlation and the two-step generalised method of moments for analysis, they discovered that ethnic diversity positively impacts Tobin's Q significantly and negatively influences return on assets though insignificantly. This position is slightly in agreement with the earlier submissions of the work of Ilaboya and Ashafoke (2017), where they had also discovered a notable counteractive interconnection between ethnic diversity and the return on assets of banks.

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Similarly, the work of Adiga *et al.*, (2020) investigated how the ethnic diversity on the board affects capital structure in Agricultural companies in Nigeria from 2015-2019 through the use of ordinary least square regression model. They also found no significant relationship or influence of ethnic diversity of the board on the capital structure of the sampled companies. Anggraeny and Soepriyanto (2023) examined the connection linking the "ethnic diversity of the BoDs and corporate tax aggressive conduct of 126 companies presented on the Indonesian Stock Exchange from 2017-2021 deploying a quantitative research approach with the Blau-Index as metric for ethnic diversity and cash effective tax rate, book-tax-difference and effective tax rate as metrics for tax aggressiveness". The study revealed that an ethnically diverse board has no influence on tax aggressive behaviour of the sampled companies.

METHODOLOGY

The research was conducted using an *expo facto* research design. It assessed how the board gender diversity, board ethnic background diversity and Board Independence affect corporate tax aggressiveness in listed non-financial firms in Nigeria. A total of 70 firms out of 109 firms in the non-financial sectors listed on the Nigerian Exchange Group as at December 2010 were purposively sampled based on their consistent, uninterrupted operations during the period. Data extracts from the audited financial reports of the firms and the Nigerian Exchange Group factbook for the periods 2011 to 2021 were analyzed using Inferential statistics (panel fixed effect and random effect model) and econometric analytical techniques were used in estimating the model drawn from the conceptual framework in the study.

The model to achieve this objective was presented as follows taking insight from the work of Lanis, Richardson and Taylor (2015).

$$BTG = f(BD, X) \quad \text{..... Eqn 1}$$

Where:

BTG = Book Tax Gap

BD = Board Diversity

X = vector of control variables.

Board diversity in this study is made up of three components including the board gender diversity, board ethnic background and board independence. Hence, we have

$$BD = (BGDV, BEB, BODI) \quad \text{..... Eqn 2.}$$

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Following Lanis Richardson and Taylor (2015), the control variables of this study are those related to the corporate governance and conventional determinants of tax aggressiveness expressed as:

$X = f$ (ROA, LEV, SIZ, OWC.MGO, BIG 4)……. Eqn 3.

Given (1) and (2), equation (3) may be represented as

$$BTG = f(BGDV, BEB, \text{BODI}, \text{ROA}, \text{LEV}, \text{SIZ}, \text{OWC}, \text{MGO}, \text{BIG4}) \quad \text{……. Eqn 4.}$$

Given that BTG may exhibit persistency in behaviour such that the present value of BTG is affected by its past value. Then, the dynamic specification of 3.4 is

$$BTG_{it} = \beta_0 + \beta_1 BTG_{it-1} + \beta_2 BGD_{it} + \beta_3 BEB_{it} + \beta_4 BODI_{it} + \beta_5 ROA_{it} + \beta_6 LEV_{it} + \beta_7 SIZ_{it} + \beta_8 OWC_{it} + \beta_9 MGO_{it} + \beta_{10} BIG4_{it} + \beta_{11-21} YEAR_{it} + \mu_t \quad \text{……. Eqn 5.}$$

Where:

BTG = Book Tax Gap

BGD = Board gender diversity

BEB = Board ethnic background

BODI = Board Independence

MGO = Managerial ownership

OWC = Ownership concentration

BIG4 = An indicator of BIG4 audit firm

SIZ = Size of the client firm

LEV = Financial leverage

ROA = Return on asset

YEAR= Financial year

i = cross sectional unit

t = time period

β_0= Intercept term

$\beta_{11} - \beta_{21}$ = Slope coefficients of the models

In terms of the *a priori* expectation, a negative (-ve) relationship was expected between BEB, BGD, BI and BTG. It was expected that a highly diverse board may reduce the degree of tax aggressiveness. Mathematically:

When BTG is used as proxy of tax aggressiveness:

$B_2, \beta_3, \beta_4, \beta_5, \beta_7, \beta_8, \beta_{10} < 0$;

$\beta_6, \beta_9 > 0$

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That is, all the variables are expected to exhibit negative impact on BTG except financial leverage and managerial ownership.

RESULTS AND DISCUSSIONS

Panel Regression Results Analysis of the Board Diversity and Tax Aggressiveness

Table 1: Estimated System GMM Panel Regression Results (Dep=BTG)

BTGP	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
L.BTGP	-0.140	0.016	-9.03	0.000	-0.171	-0.110	***
BEB	-2.035	0.706	-2.88	0.004	-3.418	-0.652	***
BGDV	-0.001	0.000	-3.27	0.001	-0.001	0.000	***
BODI	-0.124	0.025	-4.93	0.000	-0.173	-0.075	***
ROA	1.144	0.022	51.07	0.000	1.100	1.188	***
LEV	-0.049	0.022	-2.17	0.030	-0.093	-0.005	**
SIZ	1.158	0.498	2.33	0.020	0.182	2.134	**
OWC	-0.010	0.014	-0.73	0.468	-0.037	0.017	
MNO	0.018	0.009	2.01	0.044	0.000	0.036	**
BIG4	-1.121	0.424	-2.65	0.008	-1.952	-0.291	***
_IYEAR_2013	-0.016	0.481	-0.03	0.973	-0.959	0.927	
_IYEAR_2014	0.300	0.503	0.60	0.551	-0.686	1.287	
_IYEAR_2015	1.041	0.623	1.67	0.095	-0.181	2.262	*
_IYEAR_2016	0.391	0.743	0.53	0.599	-1.065	1.847	
_IYEAR_2017	1.107	0.860	1.29	0.198	-0.578	2.793	
_IYEAR_2018	2.564	0.868	2.95	0.003	0.863	4.266	***
_IYEAR_2019	2.428	0.840	2.89	0.004	0.781	4.076	***
_IYEAR_2020	3.585	1.010	3.55	0.000	1.606	5.564	***
_IYEAR_2021	3.284	0.964	3.41	0.001	1.394	5.173	***
Constant	-1.444	3.860	-0.37	0.708	-9.010	6.122	

Mean dependent var	-2.026	SD dependent var	17.845
Number of obs	770.000	Chi-square	12924.175
Number of PID	70		
Number of Instruments	48	Sargan Statistic	113.6
AR1 stat	-3.568	Sargan P value	0
AR1 Pvalue	0.000360	Hansen J statistic	39.19
AR2 stat	-1.788	p value of Hansen statistic	0.0779
AR2 Pvalue	0.0738		

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Source: Author's Computation, 2025

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The results in table 1 indicated that board ethnic diversity exerts negative impact which is significant at 5% level on Book Tax Gap of the sampled listed non-financial firms in Nigeria (B= -2.035; t=-2.88; p<0.05) implying that the Book Tax Gap of the Nigerian non-financial companies with diverse ethnic background in their board is lower compared to companies who do not have diverse ethnic board by 2.035. Since Book Tax Gap is a direct measure of tax aggressiveness, the results obtained imply that board ethnic diversity records negative influence on tax aggressiveness such that having ethnic diverse board lowers the incidence of tax aggressiveness among Nigerian listed non-financial firms. This is similar to the results obtained using effective tax rate as a proxy of tax aggressiveness. In addition, the result shows that board gender diversity records negative influence on Book Tax Gap which is significant at 5% level (B=-0.001; t=-3.27; p<0.05). The implication of the result is that firms characterized with higher female representation on the board record lower Book Tax Gap. Hence, an increase in the female representation on the board lowers the incidence of tax aggressiveness among Nigerian listed non-financial firms since Book Tax Gap is a direct measure of a corporate tax aggressiveness.

The results in table 1 equally revealed that board independence records negative influence on Book Tax Gap given its estimated coefficient of -0.124 and the impact is significant at 5% level (t=-4.93; p<0.05). By implication, board independence exerts negative and significant influence on tax aggressiveness among Nigerian listed non-financial firms measured with Book Tax Gap. In respect of the control variables, the results indicate that return on asset with an estimated coefficient of 1.144 exerts positive influence on Book Tax Gap and tax aggressiveness and the impact is significant at 5% level (t= 51.07; p<0.05). Financial leverage on the other hand is shown to record negative impact on Book Tax Gap with estimated coefficient of -0.049 and the impact is significant at 5% level (t=-2.17; p<0.05) while firm size with an estimated coefficient of 1.158 records positive impact on Book Tax Gap which is significant at 5% level (t=2.33; p<0.05). Equally, it was found from the results that ownership concentration with estimated coefficient of -0.010 records negative impact on Book Tax Gap but the impact is not significant at 5% level (t=-0.73; p>0.05) while managerial ownership with estimated coefficient of 0.018 exerts positive influence on Book Tax Gap which is significant at 5% level (t=2.01; p<0.05). It was also found from the results that audit quality represented by big 4 has negative influence on Book Tax Gap with estimated coefficient of -1.121 and the corresponding t value suggests that the negative impact is significant at 5% level (t=-2.65; p<0.05).

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The post estimation diagnostic test results obtained from Hansen test of over identify restriction with estimated p value of 0.0779 suggest that the instruments used in achieving the study's objective three using Book Tax Gap as measure of tax aggressiveness are valid since the hypothesis is rejected at 5% level. This is affirmed by the number of instruments (48) that are less than the number of panel ID (70). Equally, the AR(2) p-value of 0.0738 shows no evidence of second order serial correlation since it is greater than 0.05.

Discussion of Findings

The findings obtained indicates a remarkable counteractive influence of board ethnic diversity on TA when measured by the Book Tax Gap. This is in agreement with the revelation of the study of Lanis *et al.*, (2015) A smaller Book Tax Gap suggests that companies with a more diverse board are less prone to engage in aggressive tax practices that create disparities between financial accounting and tax reporting. This result could be indicative of a commitment to tax compliance and avoidance of aggressive tax planning strategies that may lead to discrepancies between financial and tax records. This finding aligns with the idea that diverse perspectives may contribute to more balanced and responsible decision-making.

The findings equally suggested that a rise in female representation on the board is associated with a counteractive effect on TA. This brings to fore the argument in favour of a critical mass as more of minority representation may indicate more valid assertions that cannot be overruled. This implies that companies with a greater portion of women on the board tend to exhibit reduced BTG resulting from lower levels of TA. The negative association could be explained by the notion that greater gender diversity fosters a more cautious and ethical approach to tax planning. Women on boards may bring distinct viewpoints and values that contribute to a more responsible tax strategy. The study indicates a remarkable counteractive influence of board gender diversity on TA when measured by the Book Tax Gap. A smaller Book Tax Gap suggests that companies with a higher representation of women on the board are less likely to engage in aggressive tax practices that create disparities between financial accounting and tax reporting. This result may reflect a commitment to transparency, ethical behaviour and adherence to tax regulations within organizations with diverse boards. This result is coherent with the findings of the previous works of Sudirjo (2020), Kalliopi, (2019), Hoseini and Gerayli (2018) and Lanis *et al.*, (2015)

The finding that board independence has a counteractive effect on TA, as indicated by a lower BTG, is equally recorded in the study. The observation that board diversity has a negative and significant influence on tax aggressiveness, measured by the Book Tax Gap, indicates that

firms with more diverse boards tend to exhibit lower discrepancies between financial accounting and tax reporting. Board independence is often associated with a stronger oversight and governance role, including the monitoring of financial practices. The negative relationship implies that firms with a more independent board may engage in more conservative tax practices, potentially avoiding aggressive tax planning strategies. The negative effect aligns with the notion that a greater portion of independent directors contributes to stronger corporate governance. Independent directors are expected to bring objectivity and impartiality to decision-making, potentially influencing the firm's commitment to tax compliance and transparency.

The results may suggest that independent directors are more likely to advocate for ethical tax practices, emphasizing adherence to tax regulations and minimizing the deployment of highly aggressive tax strategies. The negative influence of board diversity on the Book Tax Gap suggests that diverse boards may be more effective in aligning financial and tax reporting. Diverse perspectives and experiences may add to an extensive comprehension of tax regulations, minimizing the need for aggressive tax planning. The negative impact may also imply that diverse boards are more committed to ethical decision-making, considering the possibility of risks to the reputation of the organisation arising from aggressive tax practices.

CONCLUSION AND RECOMMENDATIONS

Based on the findings, the study found a relatively high rate of TA in the non-financial sector in Nigeria when measured through the BTG. Also, the study has shown a significant negative effect of board ethnic diversity on tax aggressiveness when measured through the BTG as it negatively affects BTG. Similarly, the board gender diversity and board independence were found to negatively affect tax aggressiveness using the aforementioned metric as they negatively affect the BTG. In the same measure, the impact of the openness to tax haven on tax aggressiveness was negatively affected by board ethnic diversity. However, the gender diversity on the board of sampled multinational firms was not sufficient to bring a significant change in how openness to tax haven affects tax aggressiveness in these firms.

As a result of the conclusion drawn from the study, it is therefore recommended that;

i. To reduce the incidence of TA among non-financial firms, the Nigerian tax laws and policies which make up the tax system should be strengthened considering the legitimacy of tax aggressiveness. Effective mechanisms that would help combat extreme forms of tax aggressiveness and encourage compliance should be established in order to enhance domestic resource mobilisation. This can be achieved through

responsive governance, fair and equitable tax laws and policies and deployment of tax revenue to the provision of common goods. Continuous policy monitoring and review in order to checkmate unintended applications of tax laws and policies is hereby also recommended.

ii. Considering the potential benefits that may be derived from an ethnically diverse corporate board in terms of domestic resource mobilisation through reduced tax aggressiveness, corporate governance policies that will showcase the vast ethnic diversities of Nigeria are hereby recommended.

iii. Since the result of this study shows that board diversity may not really be enough in tackling the tax aggressive behaviour of firms that are open to tax haven, it is recommended that the concerned authorities continue to dialogue with the international tax bodies in finding a common ground that will be beneficial to all considering the arguments against the global minimum tax rate for multinational organisations.

The policy implications of the findings of the study are:

i. The relatively high level of tax aggressiveness in the non-financial sector will constitute a barrier to the potential of Nigerian government to raise the needed financial resources for development finance. Considering the increased call for domestic resource mobilisation necessitated by the reduction in foreign direct investments and donor aids and grants, the country may continue to wallow in abject poverty, if necessary, corrective measures are not taken to address this illicit act.

ii. Since government budgets are mostly financed through taxes, the state may continue to experience budgetary shortfall which may necessitate increased borrowings that may snowball out of control.

iii. The excessively negative tax aggressive behaviour of firms may jeopardise global efforts geared towards reduction of inequalities within and among nations.

iv. Since taxes have been identified as one of the major drivers of the attainment of a good number of the sustainable development goals, the achievement of these goals by the target time might be threatened considering the current rate of tax aggressiveness in Nigeria. Hence, the Nigerian government needs to re-strategize in view of this reality.

v. The negative effect of board ethnic/racial heterogeneity on the connection between openness to tax haven and TA in the non-financial sector reinforces the import of diversity in ethnic/racial affiliation on the board of multinational/transnational organisations thereby potentially protecting the interest of government and other stakeholders.

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