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EFFECT OF OWNERSHIP STRUCTURE ON TAX AGGRESSIVENESS OF LISTED FINANCIAL FIRMS IN NIGERIA

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Abstract

Tax avoidance is a rich source of financial benefit to firms and an inexpensive source of finance; however, aggressive tax behavior has both tangible risks such as legal costs and fines and intangible disadvantages like higher reputational risk and higher risk exposure. This study explored the effect of ownership structure on tax aggressiveness of listed Nigerian financial firms from 2012-2023. Out of 49 listed institutions, 41 were sampled based on the selection criteria. After conducting a series of diagnostic tests, the research utilized a robust random effects regression model to evaluate three proxies of ownership. The research found that greater managerial ownership is associated with a statistically significant increase in the cash effective tax rate, and that suggests that when managers have equity stakes, they may adopt more conservative tax strategies. On the contrary, concentration of ownership and institutional ownership were each negatively but statistically insignificant related with the cash effective tax rate. Based on these findings, the study recommended that financial institutions ensure policies which match managers' and shareholders' interests—such as equity-based remuneration or share ownership plans—to ensure sensible tax behavior. In addition, firms should create and maintain institutional investors through the provision of high levels of transparency, good corporate governance practices, and strong financial performance. Also, frequent communication with institutional stakeholders to learn about their expectations can assist in directing effective ownership and tax planning strategies.

INTRODUCTION

Tax aggressiveness is generally referred to as the strategic actions that firms take to minimize their tax liabilities through legal or borderline means. This has become a focus of corporate finance and governance discussions worldwide. The ownership structure of a firm, comprising managerial ownership, ownership concentration, and institutional ownership, plays a significant role in shaping corporate policies, including tax strategies. Good governance ensures transparency, accountability, and ethical decision-making that can only instill confidence in investors by ensuring long-term investments around the world. Indeed, Lobo *et al*. (2021) and Aguilera and Crespi-Cladera (2022) noted that with good governance, investors are most likely to commit their capital to those firms because such investors are safeguarded against mismanagement and corporate wrongdoing.

The Nigeria Financial Reporting Council of Nigeria 2018 Code of Corporate Governance will improve investor and stakeholder protection and support financial disclosure integrity. By enforcing high board-level control and disclosure standards, the policy is expected to promote corporate performance and deter aggressively abusive tax strategies. As Ebimobowei (2022) highlights, the primary reason for corporate governance is to oversee and guide organisational conduct; such codes are particularly designed to address agency tensions and unethical reportage practices—like aggressive taxation behavior—to achieve management conduct

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conducive to shareholder as well as social interests. Concentration of ownership is an important aspect of the internal governance of a firm through significant shareholdings by outsiders, managerial ownership, and institutional holdings. These facilitate good control over the management level in a company and act as a deterrent to tax aggressiveness. The study by Khurana and Moser (2012) showed that companies that have significant block ownership have lower levels of aggressiveness in their taxes. This is attributed to the increased emphasis of block owners on the long-term effects of adopting aggressive tax strategies.

At present, given their major shareholdings and encouragement of increasing returns on investment, great appreciation arises for the role that is played by institutional shareholders to function as monitors. It is contributing considerably to new management practice to try to keep tax aggressiveness at a minimum level. Accordingly, the greater investments owned are providing increased incentives to better monitor managers. Additionally, their significant shareholdings provide them with the ability, resources, and power to monitor and discipline managerial behavior, which may deter tax aggressiveness (Desai & Dharmapala, 2021; Khan, Srinivasan & Tan, 2020). Edmans and Manso (2010) argued that the active engagement of institutional owners in monitoring the corporation can shift managerial focus to corporate performance, possibly reducing the emphasis on tax aggressiveness and self-serving behavior.

Taxation is the obligatory tax levied by the government on the income of all individuals and companies. Tax aggressiveness is the use of lawful tactics to evade and minimize tax impositions. But when individuals or companies utilize unlawful methods, actions, or procedures for the same, it becomes cheating or fraud, reaching criminal territories. Kiabel and Nwikpas (2001) gave a definition of tax aggressiveness as strategic planning and implementation of business operations within the scope of existing law with the aim of achieving the most favorable tax status that still complies with the stipulated business objectives. Tax planning can provide considerable financial benefits, as identified by Scholes *et al*. (2009), and is a low-cost financing method, as observed by (Armstrong *et al*., 2012). However, aggressive tax avoidance activities will indeed cause major physical costs, including fines and litigation costs, but also intangible ones: additional risk and loss of reputational capital.

Intercontinental Bank, Oceanic Bank, Union Bank, Afribank, Skye Bank, and Diamond Bank, were all involved in serious corporate governance and tax-related issues in Nigeria. Poor governance and tax evasion saw Intercontinental Bank acquired in 2009 by Access Bank, while Oceanic Bank, following concerns over governance and tax fraud, was taken over by Ecobank in 2011. In the case of Union Bank, there have been some criticisms related to the management of tax and compliance with regulatory requirements, though it has cleaned up its governance considerably. Governance lapses and questionable tax practices resulted in the 2011 revocation of Afribank's license. The acquisition of Skye Bank, plagued by serious governance problems coupled with aggressive tax practices, was taken over in 2016 by Polaris Bank. Diamond Bank merged into Access Bank in 2019 after its indictment over bad governance and inadequate compliance with tax obligations. The examples above depict recurring challenges related to governance and taxes within Nigeria's financial system as shown by CBN (2022). These

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challenges have been the target of regulatory interventions, which seek to enhance corporate governance standards and impose closer monitoring in order to ensure financial stability. Dabari and Saidin (2015) argued that poor performance in Nigeria's financial institutions has persisted due to inadequate corporate governance practices.

Empirical evidence of these issues has recently been investigated in, for example, Salaudeen and Abdulwahab (2022); Ogbonna *et al*., (2022); and Olanisebe *et al*. (2023) regarding the aspects of corporate governance: managerial ownership, the ownership structure, institutional ownership, and cash effective tax rates. However, a notable observation is that most of these studies, conducted in the years 2022 and 2023, used firms' specific annual data covering up to 2021 and below, while this present study was able to use firms' specific annual data covering up to 2023 to address this data periodic gap. Precisely, the scarcity of current research on these issues with respect to the Nigerian environment is apparent, as most of the related studies have been located in other parts of the world. In the light of these lacunas in the literature, further investigation becomes imperative. This paper tries to fill these gaps by examining how ownership structure influences the tax aggressiveness of listed financial firms in Nigeria. This research, therefore, seeks to update the dataset to 2023 using advanced panel regression techniques in order to add to the existing knowledge. This will be a great contribution to the few studies that have been conducted on this topic within the Nigerian context.

There is also a justification for including these variables in this study, given their importance in shaping corporate governance and tax-related decisions. Managerial ownership serves to align the interests of managers with those of shareholders, which can help deter excessive risk-taking that may include aggressive tax planning (Minnick & Noga, 2020). Ownership concentration provides large shareholders with substantial influence over management, allowing them to either promote conservative tax practices or encourage aggressive strategies, depending on their preferences (Hanlon & Heitzman, 2022).

Finally, institutional ownership, with its focus on long-term returns, motivates institutional investors to monitor tax practices closely, curbing tax aggressiveness and ensuring compliance (Khan *et al*., 2020). These variables give a complete framework within which the impact of ownership structure on tax aggressiveness in Nigerian financial firms may be examined. This study is, therefore, motivated to investigate specific influences that ownership structure has on tax aggressiveness in the Nigerian financial sector, given the increasing focus on corporate governance and its implications for tax practices.

The financial sector is of particular importance because of its developmental role and its susceptibility to tight regulatory frameworks. The study, therefore, seeks to add to the extant literature with empirical evidence as to how the ownership structure-all have their effect on the tax aggressiveness of quoted financial firms in Nigeria. It is also expected that the outcome of this study will provide an insight that may be useful in informing policy-makers and regulators in their efforts at curbing aggressive tax practices and encouraging ethical tax behavior within the sector.

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The main objective of this study is to examine the effect of ownership structure on tax aggressiveness of listed financial firms in Nigeria. The study specifically attempts to:

i. Evaluate the effect of managerial ownership on cash effective tax rate of listed financial firms in Nigeria.

ii. Examine the effect of ownership concentration on cash effective tax rate of listed financial firms in Nigeria.

iii. Ascertain the impact of institutional ownership on cash effective tax rate of listed financial companies in Nigeria.

Consistent with the above specific objectives, these hypotheses are therefore stated:

Ho1: Managerial ownership has no significant effect on cash effective tax rate of listed financial companies in Nigeria.

Ho2: Ownership concentration has no significant effect on cash effective tax rate of listed financial companies in Nigeria.

Ho3: Institutional ownership has no significant effect on cash effective tax rate of listed financial companies in Nigeria.

LITERATURE REVIEW

Tax Aggressiveness

Aggressiveness in taxation is when the company actively pursues opportunities that result in minimum tax payment through rigorous and ambitious tax planning and avoidance practices. Frank (2009), considers aggressive tax returns as manipulation of the financial structure to minimize tax liability, a way of managing taxes. The concept of "tax aggressiveness," as defined by Frank *et al*. (2009), is a deliberate decrease in taxable income by entering into transactions that are proactive and aggressive in nature. Frischmann *et al*. (2008) narrow the definition by limiting tax aggressiveness to the implementation of major tax positions even in the absence of substantial evidence to support such a position. Corporate tax aggressiveness, as defined by Frank *et al*. (2009) and Chen *et al*. (2013), involves the willful reduction of taxable income through strategic and deliberate actions of tax planning, including not only legally permissible acts but also activities that exist in legal gray areas or even encompass illegal practices. This view on tax aggressiveness ranges from the activities fully in the realms of legality to those in a disputed gray area, according to (Hanlon & Heitzman, 2010).

Cash Effective Tax Rate

Chen *et al*. (2021) defined the cash effective tax rate as the tax burden of a firm measured by the ratio of cash taxes paid to pre-tax income. It reflects the real cash outflow for taxes, hence indicating the firm's ability to manage its tax payments and the effectiveness of tax strategies in reducing tax liabilities. According to Hanlon and Heitzman (2022), CETR is the key indicator of tax aggressiveness and it reflects the relationship between cash taxes paid as a proportion of taxable income. The indicator is taken to evaluate the efficiency of tax planning

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and predisposition of firms towards deferring or avoiding the payment of taxes. Lanis *et al*. (2022) defined the CETR as the ratio of cash taxes paid to total earnings before tax. This measure is often used because it shows the real effect of corporate tax strategies on the cash expenditure on taxes, as differentiated from accrual-based measures that can be inclusive of deferred taxes. Similarly, Ayers *et al*. (2020) explained that CETR is the cash-based measure of tax expense calculated as cash taxes paid divided by pre-tax income. It provides insight into the real tax burden of firms, underlining the cash flow implication of tax strategies.

Ownership Structure

Ownership structure implies the distribution of ownership and control rights among the firm's shareholders and stakeholders. The ownership structure has implications for corporate governance, decision-making processes, and overall performance of the firm. Saona *et al*. (2020) defined ownership structure as "how to distribute the shares of companies to shareholders in terms of the number of shares and the identity of shareholders. Liang *et al*. (2020) defined ownership structure as the distribution of equity shares among different categories of shareholders, such as managerial ownership, institutional ownership, and foreign ownership. Guedhami *et al*. (2021) described ownership structure as the composition of ownership in a firm, which includes the distribution of shares among insiders, including managers and directors, institutional investors, and foreign investors. Lee and Park (2021) defined ownership structure as the arrangement of shareholdings within a firm, including the proportion of equity held by insiders. Saeed and Sameer (2022) described ownership structure as the distribution of ownership rights among various stakeholders, including managers, institutional investors, and foreign shareholders.

Managerial Ownership

Managerial ownership is the percentage of the company's total outstanding shares owned by a company's directors. A measure of this is ascertained by dividing all the company's outstanding shares accounted for by the directors into the sum total of issued shares. Managerial ownership, according to Ahmed and Mounira (2015), is defined as the "proportion of the capital held by the executives and board members". This is determined by calculating the cumulative percentage of shares held collectively by the leadership and board members. Other researchers, Boussaidi and Hamed (2015), defined managerial shareholding as the aggregate value of the shares owned by the management, divided by the total outstanding shares of the firm. Managerial ownership is defined as the proportion of shares held collectively by the board members relative to the total outstanding shares of a company. It represents the ownership stake of a company's management. This metric is calculated by dividing the number of shares owned by the directors of a firm by the total number of shares outstanding (Hardiningsih, 2009). In the context of this study, managerial ownership is defined as the total percentage of shares held by executive directors in a firm under their management.

Ownership Concentration

Ownership concentration is commonly defined by the proportion of company shares held by a specific group of majority shareholders. This can be quantified by determining the fraction of

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shares owned by 5% majority shareholders or by identifying a significant number of key shareholders (Karaca & Eksi, 2012). The concept of ownership concentration is crucial as it enables a certain level of control for block-holders during decision-making processes. Block-holders' presence is measured by the cumulative percentage of shares owned by major stakeholders (Mitra *et al*., 2007). The determination of a threshold for identifying block-holders is influenced by local regulations, as noted by Lapointe (2000). These various definitions highlight the multifaceted nature of ownership concentration in corporate structures. Ownership concentration, as defined in this study, refers to the percentage of shareholders holding more than 5% of the total equity in a firm. This aspect of corporate governance serves as a protective measure and legal safeguard for minority shareholders in corporate entities.

Institutional Ownership

Hideaki and Naoki (2020) defined institutional shareholders as block shareholders with the ability to monitor and control the companies they hold shares in. The efficiency of conducting their monitoring activities is provided by financial incentives from the shares they hold in these companies. In addition, institutional shareholders often have industry-level knowledge superior to that of other small shareholders, which gives them an advantage in low-cost monitoring. According to the view of Ohiani *et al*. (2018), institutional ownership usually purchases large blocks of outstanding shares in a firm, which provides them with immense power over the management of that firm. Due to their professional standing, institutional shareholders utilize their expertise to observe and converge the interests of the organization with their own. This study defined institutional shareholders as the ownership fraction or stake in a company held by major financial entities.

Conceptual Framework

The conceptual framework is the diagrammatic representation of all those concepts, which are related to the concerned research work. This is adapted from Salaudeen and Abdulwahab (2022), and comprises of three proxies of managerial ownership, institutional ownership, ownership concentration, which represents an independent variable and one proxy, namely Cash Effective Tax Rate as dependent variable with a control variable Firm Size.

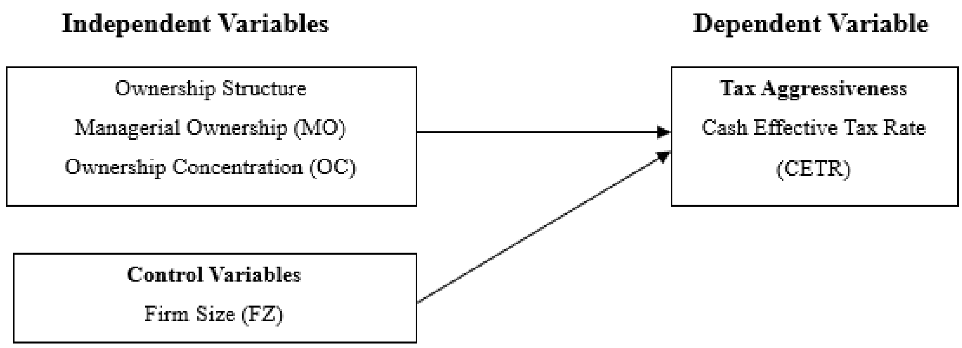

Figure (1): Adapted Conceptual Framework by the researcher 2023

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Theory Underpinning the Study

Agency Theory

While many contributed to its development, the agency theory was primarily issued by two economists: Michael C. Jensen and William H. Meckling. One seminal paper that introduced and formalized the agency theory is entitled "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," published in the Journal of Financial Economics in 1976. Some ideas in this paper were the basis for the generally accepted understanding of the existing relationships and the conflicts of interest between the different parties within a firm, especially between managers and shareholders. Agency theory is a term used in the study of economics and management in which investigations are directed at the relations or the conflicts of interest that come up between principals, usually owners or shareholders, and agents, a person or an entity employed to make decisions on behalf of the principals. The theory assumes pre-existing conditions and behaviors underlying these relations.

Agency theory is a conceptual basis through which the dynamics in the principal-agent relationship within corporations could be recognized. The agency theory applied to the context of tax aggressiveness underlines the possibility of the emergence of conflicts between managers and shareholders. The meaningful role of corporate governance in offsetting the agency problems takes place; there are empirical indications, however, that governance structures and tax aggressiveness are related in more respect. Better understanding and dealing with these issues can only lead to more transparency and accountability and long-term sustainability of corporations. This study is based on the agency theory because it views tax aggressiveness has the potential for managerial opportunism and assumes that more intensity of effective corporate governance such as (managerial ownership, ownership concentration and institutional ownership) is associated with less aggressive tax behavior of management.

Empirical Review

Managerial Ownership and Tax Aggressiveness

Olanisebe et al. (2023) investigated the mediating role of profitability on the relationship between managerial ownership and tax avoidance of Nigerian listed companies. A correlational research design was used in the investigation, with NGX data for the twelve years, 2010-2021. Data were collected from the 121 of the 156 available companies listed in their annual report and accounts. Descriptive statistics, correlation, and Structural Equation Modeling were used as analysis techniques for the data, while the Monte Carlo model was used for the purpose of detecting the level of significance of the indirect effects, and the hypotheses that were built were examined. What is implied by this, therefore, is that the research affirmed that managerial ownership has a significant influence on tax avoidance behavior, while the influence of managerial ownership on tax avoidance behavior is indeed moderated by profitability. It drew from these findings that it is advisable that the shareholders put more focus on the issue of tax within corporations as a way of ensuring whether the company has honestly complied with its rightful tax requirements. Besides, in order to reduce the level of principal-agent conflict and reduce tax evasion by monitoring the actions of management, managerial shareholding is to be

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promoted by Nigerian listed firms, since some directors do not have a stake in sampled companies. Appropriate statistical tools of analysis were employed in the research to examine the data. Furthermore, the research was carried out in 2023, and the data was available up to 2021, which can be termed as recent and indicates the economic trend in Nigeria.

Ogbonna et al. (2022) examined the impact of managerial ownership and tax aggressiveness on the financial performance of deposit money banks (DMBs) in Nigeria. The study utilized secondary data obtained from the annual reports and accounts of six DMBs over a ten-year period, from 2012 to 2021. The data were analyzed using both descriptive and econometric methods, with the panel data analysis conducted through the use of E-Views 9.1 statistical software. The results indicated that tax aggressiveness and leverage significantly influenced financial performance. Specifically, tax aggressiveness had a negative effect, whereas leverage exerted a positive effect on the financial performance of the selected banks. In contrast, managerial ownership was found to have an insignificant effect on financial performance. Based on these findings, the study suggests that banks should consider formulating policies aimed at promoting asset growth to enhance value creation. Furthermore, adopting alternative ownership structures may better support long-term performance improvements. The study employed appropriate and reliable statistical tools for data analysis. Although conducted in 2023, the use of data up to 2021 ensures the study reflects current trends and developments within the Nigerian economic environment.

Salaudeen and Ejeh (2018) investigated the impact of ownership concentration on corporate tax aggressiveness using a sample of 40 non-financial firms in Nigeria over the period 2010 to 2014. Employing fixed effect panel regression, the study analyzed the effects of ownership concentration and managerial ownership as independent variables, alongside control variables, on tax aggressiveness. The findings revealed that ownership concentration has a significant positive relationship with tax aggressiveness, while managerial ownership has a significant negative effect. Additionally, leverage was negatively related to tax aggressiveness, return on assets showed a positive relationship, and firm size was not significantly associated with tax aggressiveness. Although the study applied appropriate statistical techniques, the inclusion of both pre- (2010–2011) and post-IFRS (2012–2014) periods may have influenced the results. Moreover, conducting the study in 2018 raises concerns about the currency and relevance of the findings.

Ownership Concentration and Tax Aggressiveness

Irri et al. (2021) explored whether the entrenchment or alignment hypothesis better explains the relationship between ownership concentration and tax aggressiveness in listed non-financial firms in Nigeria. Using a correlational research design and data filtering approach, the study analyzed 960 firm-year observations from 2008 to 2019. Employing a censored Tobit regression model, the results showed that increases in ownership concentration are significantly associated with higher tax aggressiveness, all things being equal. The study recommended that regulators monitor ownership concentration to mitigate agency conflicts. While the study applied appropriate statistical tools, the data, which only extends to 2019, may not adequately reflect more recent economic realities in Nigeria.

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Arja et al. (2019) examined the influence of political connections and corporate governance on tax aggressiveness in Indonesian banking and service sectors. Sampling firms listed on the Indonesia Stock Exchange from 2013 to 2017, the study applied multiple linear regression (OLS). Results indicated that political connections had no significant impact on tax aggressiveness in either sector. In the service industry, CEO duality and institutional ownership negatively and significantly influenced tax aggressiveness, while in banking, board size had a negative influence and institutional ownership and auditor reputation had positive effects. Although the study applied robust analytical techniques, it was conducted in Indonesia, making its findings less generalizable to the Nigerian context due to environmental and institutional differences. Furthermore, the 2019 study period is considered outdated and may not reflect current economic conditions.

Institutional Ownership and Tax Aggressiveness

Olanisebe et al. (2022) examined the direct and indirect effects of institutional ownership on tax avoidance among listed companies in Nigeria, with profitability serving as a mediating variable. The study analyzed a sample of 121 firms listed on the Nigerian Exchange Group over the period 2010–2021. Data were obtained from annual reports and analyzed using descriptive statistics, correlation, Structural Equation Modeling (SEM), and the Monte Carlo method to assess the significance of indirect effects. The findings revealed that institutional ownership does not significantly influence tax avoidance directly, although it significantly impacts profitability. Profitability, in turn, significantly affects tax avoidance but does not mediate the relationship between institutional ownership and tax avoidance. The study recommends enhancing institutional ownership participation in governance to align interests and reduce agency conflicts.

The use of recent data (up to 2021) and comprehensive statistical tools adds credibility and relevance to the study's findings in the current Nigerian economic context. Tijjani and Zachariah (2020) investigated the impact of ownership structure on tax planning in Nigerian listed non-financial companies using data from 2008 to 2017. The analysis employed descriptive statistics and multiple regression techniques. The results indicated that managerial and institutional ownership had insignificant positive effects on tax planning, while foreign ownership had an insignificant negative effect. Profitability, measured by return on assets, showed a significant positive relationship with tax planning, whereas leverage had an insignificant negative impact. The study recommended promoting managerial shareholding to reduce agency conflicts and improve tax planning oversight. While the statistical methods used were appropriate, the study is considered somewhat outdated, with findings that may not reflect recent economic realities in Nigeria.

Muhammad (2019) focused on the roles of board of commissioners, institutional ownership, and capital intensity in influencing tax aggressiveness among manufacturing companies listed on the Indonesia Stock Exchange between 2011 and 2016. While this study provides useful insights, its context differs significantly from Nigeria, and its findings may not be directly applicable due to environmental and institutional variations.

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METHODOLOGY

An **ex** post facto research design was adopted for this study, given the nature of the specific objectives, the defined population, and the panel structure of the data. This design is deemed appropriate as it allows for the examination of existing relationships among variables without manipulating them. The study investigates proxies of the independent variables in relation to a proxy for the dependent variable.

The population comprises forty-nine (49) financial sector companies listed on the Nigerian Exchange Group (NGX) as of December 31, 2023. A final sample of forty-one (41) firms was selected based on specific filtering criteria to ensure data relevance and consistency. The study focused on companies that met the following selection conditions:

1. The company must have been listed on the NGX at least one year before the 2012 adoption of the International Financial Reporting Standards (IFRS) in Nigeria.
2. The company must have remained listed and actively traded on the NGX during and after the study period (2012–2023).

This industry was chosen due to its prominence as one of the most capitalized sectors in the Nigerian capital market. The post-IFRS era was specifically targeted because of the enhanced financial reporting disclosures mandated by the standards, which improved data availability and reliability.

Accordingly, eight (8) firms were excluded for not meeting the selection criteria. The final sample consists of 41 firms, and panel data of a quantitative nature was obtained from secondary sources, specifically from the audited annual reports and financial statements submitted to the NGX for the relevant period.

Model Specification

Tax aggressiveness is measured by the cash effective tax rate (CETR), defined as tax expense divided by profit before tax. In our empirical model, CETR is explained by three key ownership variables—managerial ownership (MO), ownership concentration (OC), and institutional ownership (IO)—while firm size (FSZ) is included as a control variable.

Therefore;

$$CETR = f(MO, OC, IO, FZ)$$

The expression in the equation is expressed econometrically as follows:

$$CETR_{it} = a_0 + \beta_1 MO_{it} + \beta_2 OC_{it} + \beta_3 IO_{it} + \beta_4 FSZ_{it} + \varepsilon_{it} \ldots\ldots\ldots(1)$$

Where:

β_1, β_2………………$\beta 4$ are parameters to be estimated with a-priori expectations < 0.

CETR= Cash Effective Tax Rate

MO = Managerial Ownership

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OC = Ownership Concentration

IO = Institutional Ownership

FSZ = Firm Size

α = Constant

e = Error term

i = Firms

t = Periods

A random-effects regression was used to examine how ownership structure influences tax aggressiveness among quoted financial firms in Nigeria. All analyses were conducted in Stata 15, and the resulting estimates were used to test the study's hypotheses. The study specification builds upon the econometric frameworks developed by Peter et al. (2019) and Salaudeen and Abdulwahab (2022).

Measurement and Justification of Variables

Table 3.1: Below explains the variables measurement under study

Variable	Acronym	Type of variable	Measurement	Justification
Cash Effective Tax Rate	CETR	Dependent	Total tax cash expenses/profit before tax.	Salaudeen and Ejeh (2018) and Salaudeen and Abdulwahab (2022).
Managerial Ownership	MO	Independent	This is the proportion of shares held by the executive directors.	Olanisebe *et al*. (2023) and Salaudeen and Abdulwahab (2022).
Ownership Concentration	OC	Independent	This is the percentage of shareholders holding above 5% of total equity.	Salaudeen and Abdulwahab (2022) and Salaudeen and Ejeh (2018).
Institutional Ownership	IO	Independent	This is the proportion of shares held by institutions in a firm.	Olanisebe *et al*. (2022) and Salaudeen and Abdulwahab (2022).
Firm Size	FZ	Control	This is the natural logarithm of total assets.	Salaudeen and Ejeh (2018).

Source: Researcher's Compilation, 2023.

DATA PRESENTATION AND ANALYSIS

Data for 41 financial firms—comprising cash effective tax rate (CETR), managerial ownership (MO), ownership concentration (OC), institutional ownership (IO), and firm size (FSZ)—were processed in Stata 15, beginning with descriptive statistics to summarize the sample and the Shapiro–Wilk test to assess normality. The study then examined pairwise relationships using Pearson correlation coefficients and assessed multicollinearity via the Variance Inflation Factor (VIF). To ensure robust inference, the study tested for heteroskedasticity with the Breusch–Pagan Lagrangian multiplier test and used the Hausman specification test to determine the

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appropriate panel model. Finally, the study estimated a random-effects regression with robust standard errors to account for any remaining heteroskedasticity and obtain reliable coefficient estimates.

Descriptive Statistics

Table 4.1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min.	Max.
CETR	492	0.149	0.107	.002	0. 480
MO	492	0.095	0.071	0.001	0.379
OC	492	0.482	0.173	0.122	0.860
IO	492	0.326	0.119	0.066	0.584
FSZ	492	7.574	1.052	3.614	9.95

Source: Researcher's Computation using STATA 15 software

Across all five variables—CETR, MO, OC, IO, and FSZ—the reported means lie squarely between their minimum and maximum values, indicating a well-distributed dataset over the 2012–2023 review period. Moreover, each variable's standard deviation is smaller than its mean, which conventionally suggests a low level of skewness in the distributions.

The cash effective tax rate ranged from a minimum of 0.002 to a maximum of 0.480, with a mean of 0.149. The standard deviation of 0.107—being below the mean—further indicates that CETR values are relatively tightly clustered around the average, implying low asymmetry in the tax-rate distribution. Managerial ownership exhibited a minimum of 0.001 and a maximum of 0.379, with an average of 0.095. Its standard deviation (0.071) is also below the mean, signifying that managerial ownership levels were not highly dispersed and displayed minimal skewness during the period under review. Ownership concentration values spanned from 0.122 to 0.860, centering around a mean of 0.482.

A standard deviation of 0.173—less than the mean—confirms that most firms' ownership-concentration figures clustered near the average, reflecting low skewness. Institutional ownership ranged between 0.066 and 0.584, averaging 0.326. With a standard deviation of 0.119, IO values showed limited variability around the mean, pointing to a symmetric distribution over the sample period. Firm size, measured on a logarithmic scale, varied from 3.614 to 9.950 and averaged 7.574. Its standard deviation (1.052) fell below the mean, indicating that firm sizes were moderately concentrated around the average and displayed low skewness throughout the study window

Shapiro-Wilk Normality Test

Table 4.2 and figure 4.1: Results of the normality test with the use of the Shapiro-Wilk Normality test and normal distribution curve

Variable	Obs	W	V	Z	Prob>Z
Residual	492	0.99150	2.817	2.488	0.00643

Source: Researcher's Computation (2023) using STATA 15 software

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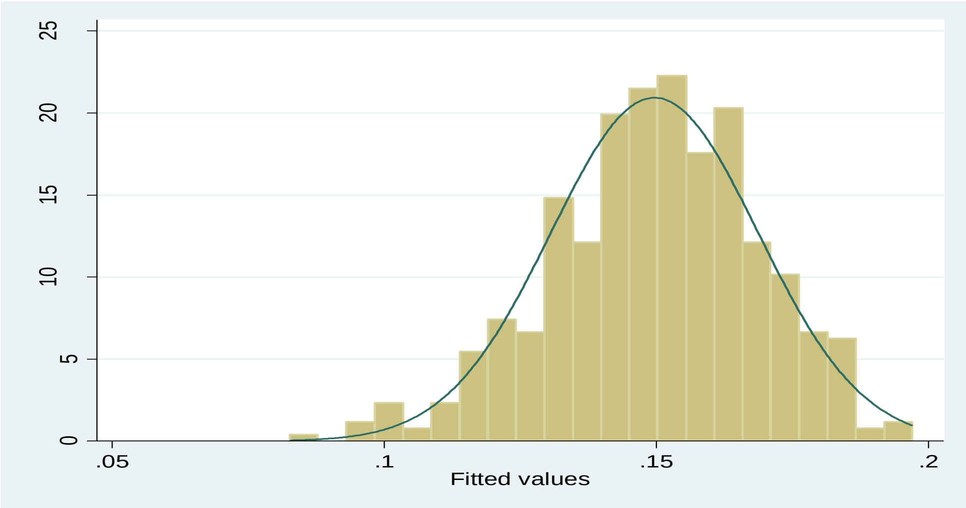

Figure 1: Normal Distribution Curve

Table 4.2 above also shows the residual and the value of z 2.488 with the accompanying probability of value of 0.006 less than 0.05 which suggests that the residual is not normally distributed around their mean. This is further supported by the normal distribution curve as depicted by figure 1 above. This means that one of the assumptions of the linear regression techniques that the residuals are normally distributed has been violated, and thus using the robust regression technique is needed.

Pearson Correlation

Table 4.3: Pearson correlation matrix.

Variable	CETR	MO	OC	IO	FSZ
CETR	1				
MO	-0.0500	1			
OC	-0.0048	0.0446	1		
IO	0.0855	0.0764	0.7763	1	
FSZ	0.0518	0.0253	-0.1974	0.0122	1

Source: Researcher's Computation using STATA 15 software

The correlation matrix reveals the strength and direction of relationships between each ownership proxy and the cash effective tax rate (CETR), as well as among the ownership proxies themselves to screen for multicollinearity.

Managerial ownership and CETR exhibit a weak, negative association ($r = –0.0500$), while ownership concentration and CETR also show a very slight negative relationship ($r = –0.0048$). Institutional ownership relates weakly but positively to CETR ($r = 0.0855$), and firm size is similarly weakly and positively correlated with CETR ($r = 0.0518$).

All inter-proxy correlations fall well below the 0.80 threshold, indicating that multicollinearity is not a concern in this model.

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Results of Variance Inflator Factor (VIF)

Table 4.4: Variance Inflator Factor (VIF)

Variable	VIF	I/VIF
OC	2.85	0.350944
IO	2.77	0.361130
FSIZE	1.43	0.699762
MO	1.03	0.971854
Mean VIF	1.64	

Source: Researcher's Computation using STATA 15 software

To further assess multicollinearity among the exogenous variables, we computed the Variance Inflation Factors (VIF) and their inverses (I/VIF) following Gujarati (2003).

As shown in Table 4.4, every VIF is below the critical threshold of 10 and each I/VIF exceeds 1, confirming that multicollinearity is not present.

Consequently, all explanatory variables are well defined and can be jointly included in the regression model without violating this key assumption of regression analysis.

Heteroscedasticity test for Model

Table 4.5: Heteroscedasticity test

Type of test	Chi2	P-Value
Heteroscedasticity Test	2.45	0.1174

Source: Researcher's Computation Using STATA 15 software

Heteroscedasticity test was conducted to verify if the data utilized for this study was robust for the model. It was realized from the study that data is homoskedastic; that is, the simple linear regression model is reliable.

This is assured from the heteroskedasticity result in table 4.5 which showed the chi2 value of 2.45 with a p-value of 0.1174. This satisfied the classical linear regression assumption of homoskedasticity or constant error variance.

Breusch-Pagan Lagrangian Multiplier Test for Model

Table 4.6: Result of the Breusch-Pagan Lagrangian Multiplier test.

Variable	Chibar2	P-Value
CETR	401.24	0.0000

Source: Researcher's Computation using STATA 15 software

Breusch-Pagan Lagrangian Multiplier test was also used to give some indication towards performing a real test between Random Effect Model and Pooled Ordinary Least Square Regression.

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Since the value of chibar2 from Breusch-Pagan Lagrangian Multiplier test as 401.24 with probability value being equal to 0.0000 from the above given table 4.6, shows REM as an appropriate method rather than applying Pooled Ordinary Least Square.

Hausman Specification Test for Model

Table 4.7: Result of a Hausman specification test.

Chi2	8.60
Prob. Chi2	0.2830

Source: Researcher's Computation using STATA 15 software

Because the dataset is panel in nature, the error terms may be both clustered and time-correlated owing to unobserved, firm-specific effects that could bias the estimates.

To address this, the study estimated both fixed-effects and random-effects specifications and applied the Hausman test to choose between them. The test yielded a Chi-square statistic of 8.60 with a p-value of 0.2830 (Hoechle, 2007), indicating no significant difference between the estimators and thus favoring the random-effects model.

Ownership Structure and Tax Aggressiveness Using Robust Random Effect Model (REM)

Table 4.8: Below is the robust random effect regression model conducted for the estimation of this model.

Variable	Coefficients	z-value	Prob.
Cons.	0.3174126	4.32	0.000
MO	0.8036861	15.23	0.00
OC	-0.0614686	-1.51	0.130
IO	-0.0588653	-0.81	0.416
FSZ	-0.0111127	-1.34	0.182
R-sq overall	0.6365		
Wald chi2	244.68		
Prob. > chi2	0.0000		

Source: Researcher's Computation using STATA 15 software

Table 4.8 above shows that 64% variation of cash effective tax rate, combined effect of managerial ownership, ownership concentration, institutional ownership and firm size is explained with (Overall R-sq of 0.6365).

This implies that the study model is good, and the independent variables are well mixed and used. The Wald chi2 value was 244.68 and P-value of 0.00, implying the model fits the study.

Test of Hypotheses

To examine the effect of ownership structure on tax aggressiveness of Nigerian listed financial firms, the hypotheses formulated were examined using a robust random effect regression model.

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Managerial Ownership (MO)

The coefficient on MO yields a z-value of 15.23 ($p < 0.001$), indicating a positive and highly significant effect on the cash effective tax rate (CETR). Consequently, we reject the null hypothesis that managerial ownership has no effect on CETR.

Ownership Concentration (OC)

OC exhibits a z-statistic of –1.51 with a p-value of 0.130, reflecting a small negative effect that is not statistically significant. Thus, we fail to reject the null hypothesis and conclude that ownership concentration does not significantly influence CETR.

Institutional Ownership (IO)

The IO coefficient produces a z-value of –0.81 ($p = 0.416$), also indicating a non-significant negative relationship with CETR. Accordingly, the null hypothesis—that institutional ownership has no significant effect on CETR—remains accepted.

DISCUSSION OF FINDINGS

Managerial Ownership and Cash Effective Tax Rate

This finding indicated that MO had a very strong significant effect on the quoted financial firms' cash effective tax rate in Nigeria in the studied period. It indicates that the cash effective tax rate for quoted financial institutions will be increased by 0.8036861 for every percent addition to managerial ownership.

This finding concurs with agency theory, which deals with the principals in the form of shareholders and agents in the form of managers' dynamics. Conflict of interest, the theory holds, will arise when managers, who should represent the shareholders, pursue their own self-interest instead.

The managerial ownership is an alignment where the manager's interest coincides with the shareholder through his ownership interest in the company. This alignment of interests of the manager and ownership can lead to making better decisions that would bring a better outcome on their tax-planning approach. MO has a significantly positive effect on quoted financial companies' cash effective tax rate in Nigeria for the period in consideration.

The findings are in accordance with the studies of Olanisebe et al. (2023) and Salaudeen and Abdulwahab (2022). The finding, however, is contrary to the findings of Tijjani and Zachariah (2020) and Ogbonna et al. (2022).

Ownership Concentration and Cash Effective Tax Rate

The study also showed that ownership concentration had a statistically insignificant adverse effect on the cash effective tax rate (CETR) of listed Nigerian financial firms under investigation. This further suggests that a rise in the proportion of ownership concentration will decrease the cash effective tax rate, CETR, of Nigerian listed financial companies by -0.0614686. It also is incompatible with agency theory, a systematic approach of the research of interactions between principals, shareholders here and their agents or managers. The OC simply comprises large shareholders' holdings whose concentration would affect corporate

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governance and decision-making procedures in corporations. Theoretically, concentrated ownership facilitates the agency problems because higher effectiveness is being implemented by large shareholders when management monitoring can also contribute to better decision-making regarding the company's tax policy.

The ownership concentration (OC) does not have any significant adverse effect on the cash effective tax rate of quoted financial companies in Nigeria within the period under review. This finding is consistent with findings of Salaudeen and Abdulwahab (2022) and Salaudeen and Ejeh (2018). The finding is inconsistent with the findings of Ahmed and Mounira (2015); Irri et al. (2021) and Uniamikogbo et al. (2019).

Institutional Ownership and Cash Effective Tax Rate

The study further reveals that in Nigeria, the IO is weakly negatively correlated with the CETR of quoted financial firms during the review period. This therefore suggests an increase in percentage of institutional ownership would reduce cash effective tax rate (CETR) of quoted financial companies in Nigeria. This outcome contradicts the agency theory, which explains conflicts of interest between principals (shareholders) and agents (managers). Institutional ownership refers to a phenomenon of shares of a firm being held by large, usually institutional investors such as insurance companies, pension funds, and mutual funds.

Strong institutional ownership can make monitoring of the management effective, which may reduce agency problems. It is expected that, under high stakes, institutional investors have the incentives and capacity to influence management decisions, including tax planning strategies. Institutional ownership exists in statistically insignificant negative association with the cash effective tax rate of financial firms listed on the Nigerian stock market during the studied period. This finding is consistent with the findings of Olanisebe et al. (2022) and Salaudeen and Abdulwahab (2022). However, the result does not agree with the results of Arja et al. (2019) and Muhammad (2019).

CONCLUSION AND RECOMMENDATIONS

An increase in the managerial ownership percentage is positively correlated with tax aggressiveness. Financial firms where managers own a larger stake show more tax aggressiveness. This could suggest that managers with ownership stakes are interested in conservative tax approaches, which would protect their investment and ensure the firm remains stable in the long term. This would underline the impact of managerial ownership on corporate tax strategies and indicate the important role of ownership structure in shaping the firm's decisions related to taxation.

When ownership is more concentrated, then the controlling shareholders have more influence on corporate governance and decision-making processes. Such large shareholders are more likely to consider long-term stability and compliance rather than aggressive tax-avoidance strategies. They may, therefore, prefer more conservative tax approaches that will preserve huge investments and guarantee the sustainable growth of the firm's reputation. In the case of quoted financial firms in Nigeria, for instance, increasing ownership concentration can be an

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effective mechanism in reducing tax aggressiveness. This has important implications for policymakers, corporate boards, and investors, who must consider ownership concentration as a key factor in promoting responsible tax practices.

Institutional investors bring professionalism, supervision, and a long-term investment perspective to the firms they invest in. As such, institutional investors commonly seek sound governance, compliance with regulations, and sustainability of finances to protect their investments and maintain their reputations. Their presence would thus deter aggressive tax strategies that could jeopardize the stability and reputation of the firm. Therefore, for quoted financial firms in Nigeria, increasing institutional ownership could be one of the good mechanisms in reducing tax aggressiveness and moving towards prudent and compliant tax practice.

RECOMMENDATIONS

Based on the above conclusion, the following recommendations are proffered:

(i) Financial firms should consider policies that reduces managerial ownership. By giving managers too much stake in the firm, their interests will be more than those of the shareholders, potentially leading to more tax aggressiveness.

(ii) Financial firms should consider strategies to increase ownership concentration among key stakeholders, such as promoting large block holders or increasing insider ownership. Also, financial firms should align the interests of major shareholders with the company's long-term goals to promote stable and compliant tax practices.

(iii) Financial firms should develop strategies to attract and retain institutional investors, such as offering transparency, good governance practices, and consistent financial performance. Also, engage with institutional investors to understand their expectations and incorporate their insights into corporate governance and tax strategies.

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