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MODERATING EFFECT OF MANAGERIAL OWNERSHIP ON THE RELATIONSHIP BETWEEN TAX PLANNING AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The study examined the moderating effect of managerial ownership on the relationship between tax planning and financial performance of listed deposit money banks in Nigeria. The study used secondary data of 12 listed DMBs in Nigeria which were extracted from the annual reports and accounts of the sampled banks for the period 2012 to 2023. The data collected for the study were analyze using panel data analysis. The study also revealed that Book Tax Difference (BTD) has positive and significant effect on Return on Assets (ROA). On the other hand, the study documented that managerial ownership has positive and significant effect on ROA. It was revealed that managerial ownership positively and significantly moderates the effect of residual of BTD on ROA and negatively but significantly moderated the effect of CETR on ROA. The study recommended that given the significant positive impact of BTD on ROA, DBMs should prioritize optimizing cash tax payments to enhance financial performance and aim to minimize discrepancies between book and tax reporting to prevent negative impacts on financial performance. Regulatory agencies should set in the rate at which managers/directors should owned shares in banks in order to improve governance effectiveness and in return increase financial performance. Corporate governance policies could encourage banks to adopt higher levels of managerial ownership to enhance overall governance effectiveness. Also, considering how managerial ownership moderates the effect of tax planning on financial performance, banks shareholder should increase managerial ownership to align managerial interests with shareholder interests and potentially improve financial performance.

Keywords: *Tax planning, financial Performance, Deposit Money banks*

Introduction

Tax planning is essential in the financial strategy of firms, especially in the banking sector, where efficient tax management can greatly influence financial performance. The tax planning dynamics of listed deposit money banks in Nigeria have attracted scrutiny due to their crucial role in the economy (Albertazzi & Gambacorta 2014 as referenced in Ogabo et al., 2021). Grasping the relationship among tax planning, management ownership, and financial success is crucial for regulators, investors, and stakeholders to understand the complexities of banking operations in Nigeria. Taxes are mandatory contributions imposed on individuals for broad governmental purposes (Maigoshi &Tanko, 2023). Upon assessment, every taxable individual is obligated to remit tax. They also stated that taxes are advantageous, utilised to furnish the government with the requisite cash for the general management of the country. The government does not levy taxes on a citizen solely due to the provision of certain services to him or his family. Appah (2010), as referenced in Tanko (2023), asserts that an effective tax structure is crucial for the economic success of any nation, including Nigeria. Taxation, as a deduction from the bank's income (profit), diminishes the revenue that the bank retains. Consequently, banks employ tax management, usually referred to as tax aggression, to diminish their tax liabilities to the Government.

Tax aggressiveness pertains to the assertive aspects of tax evasion strategies (Francis et al., 2014 as quoted by Oyedoku et al., 2020). Tax aggressive strategies are typically employed to reduce the tax liability, hence enhancing after-tax earnings per share and increasing cash accessible for shareholders (Tanko et al., 2022). Strategic tax planning can enhance the financial performance of a corporation or entity. Tax burden may be diminished when management possesses a percentage ownership of the firm's shares. The managers' objective will be the maximization of shareholder wealth, prompting them to adopt aggressive tax avoidance strategies, which would therefore enhance the firm’s financial performance. Also, increased managerial ownership connects the interests of management with those of shareholders, potentially affecting decision-making processes, including tax planning tactics (Tanko, 2020). The degree of managerial ownership in publicly listed deposit money banks in Nigeria can fluctuate and may affect financial performance by influencing corporate governance, risk-taking behavior, and long-term strategic planning (Tanko et al., 2022).

Moreover, proficient tax planning can augment profitability by minimizing tax liabilities, consequently elevating net income and shareholder returns. Nonetheless, aggressive tax planning tactics may include risks, including tax compliance challenges and reputational harm, which could adversely affect financial performance (Adelakun & Olugbire, 2023). Managerial ownership affects financial performance by impacting corporate governance structures, risk management methods, and strategic decision-making processes. Increased managerial ownership can synchronize managerial incentives with shareholder interests, resulting in improved performance and value generation (Nwachukwu & Uwuigbe, 2021). Conversely, conflicts of interest or agency issues may emerge if managerial ownership is excessively low or high, thereby detrimentally impacting financial performance. The moderating effect of managerial ownership on the connection between tax aggression and financial performance underscores the significance of corporate governance frameworks in influencing the results of tax strategies. Managerial ownership levels can affect the execution and efficacy of tax planning initiatives, as increased ownership may improve the alignment between tax strategies and the production of long-term shareholder value. Managerial ownership mitigates the influence of tax planning on financial performance, hence enhancing the comprehension of the factors influencing banking performance in Nigeria.

The banking sector in Nigeria is fundamental to the economy, propelling economic growth, enabling trade and investment, and offering vital financial services to both businesses and individuals. In this industry, listed deposit money banks provide a crucial function as mediators between savers and borrowers, while managing a complicated regulatory landscape and changing market dynamics (Komolov, 2021). The study aims to evaluate the moderating influence of ownership structure on tax planning and financial performance of publicly listed deposit money banks in Nigeria.

The Nigerian deposit money banks are a crucial element of the nation's economy, and their financial performance is essential for maintaining economic stability and prosperity. There is an urgent necessity to examine two critical factors that can influence the functioning of these banks: managerial ownership and tax aggression. Although a substantial amount of research exists on these factors globally, as evidenced by Chen et al. (2016), Eichfelder et al. (2016), and Silvy and Alexander (2019), the particular dynamics, challenges, and implications within Nigerian deposit money banks remain underexplored (Tanko & Siyanbola 2024; Udochukwu et al., 2022; Salaudeen & Ejeh 2018). Therefore, the problem at hand is to evaluate the impact of managerial ownership and tax aggressiveness on the financial performance of deposit money banks in Nigeria and to assess the ramifications for the Nigerian banking sector, its regulators, and its stakeholders.

Current research emphasizes the direct impact of tax preparation on financial performance. Only a limited number of studies employed moderators (Silvy & Alexander, 2016; Tanko & Siyanbola, 2024). Moreover, research has not examined the moderate influence of managerial ownership in this relationship, resulting in ambiguity regarding its impact on a bank's tax planning behavior and ensuing financial results. Although previous research investigates the influence of tax planning on financial performance, limited studies thoroughly evaluate its effects on bank-specific indicators such as Effective Tax Rate (ETR), Current Effective Tax Rate (CETR), and Book Tax Differences (BTD).

Literature Review

Concept of Tax Aggressiveness

Martinez et al. (2019) characterized tax aggressiveness as a comprehensive array of actions intended solely to diminish an entity's overall tax obligation or burden. Martinez and Martins (2019) stated that tax-aggressive enterprises employ effective tax evasion tactics to reduce their income tax liabilities. Tax avoidance enhances net cash flows, which can be allocated to augment corporate investment, satisfy debt obligations, or be disbursed to shareholders as dividends or share repurchases (Jihene & Moez, 2019). For businesses, taxation represents a substantial expense as it diminishes their profits without evident and immediate recompense. Consequently, because it endangers the economy of any nation, the government regards tax aggression as a critical concern. Consequently, academic scholars maintain a robust interest in investigating tax aggression and its potential determinants.

Tax aggressiveness (TA), often known as tax planning, is techniques employed by corporate management to exploit loopholes in tax legislation, resulting in reduced or minimal tax liabilities and a lower effective tax rate. Tax planning designed to enhance distributable profit by minimising tax liabilities often include comprehensive strategies employed by management to ensure the firm remits the least amount of tax to the government. It is seen as deliberate actions and a methodical approach to the prudent management of an individual's, trust's, or firm's economic matters, aimed at securing favourable tax advantages while considering legislative and judicial perspectives (Olarewaju & Olayewola, 2019). Reducing tax liabilities through tax planning enhances financial performance, as less tax payments result in increased distributable income. Companies do tax planning in response to various tax challenges with the intention of minimising their tax burden, hence enhancing their distributable profits for shareholder returns.

Concept of Financial Performance

Financial performance denotes an organization's capacity to attain its financial objectives, including profitability, liquidity, and efficiency. Financial performance is an essential element of organizational success, influencing the entity's capacity to attract investors, obtain loans, and retain staff. Financial performance is assessed by several financial criteria, such as return on investment (ROI), return on equity (ROE), and earnings per share (EPS) (Kaur & Jindal, 2021). The significance of financial performance in organizations is paramount. The financial performance is intricately connected to the organization's capacity to fulfil its strategic objectives and is a crucial factor in its long-term sustainability (Dahya et al., 2021). Superior financial performance correlates with increased employee satisfaction and enhanced organizational reputation (Wang et al., 2021).

Robust financial performance denotes a company's capacity to earn profits and deliver value to its stakeholders, encompassing shareholders, employees, and consumers (Udisifan Michael Tanko et al., 2022; Yoon & Jang, 2005). It is a vital indicator of a company's success and competitiveness, subject to different internal and external influences. Recent years have witnessed much research on the determinants of corporate financial success and the influence of diverse stakeholders in generating and maintaining value for the firm. Financial performance is an essential element of organizational success, influencing the entity's capacity to attain its strategic objectives.

Concept of Managerial Ownership

Managerial ownership refers to the proportion of shares possessed by managers who are actively involved in corporate decision-making, including commissioners and directors. Khan et al. (2013) assert that managerial ownership enables managers to exert control over the company and determine its plans and policies, as the manager simultaneously functions as a shareholder. The division of ownership and control, together with the conflicts of interest between the agent (managers) and the principal (owners) (Jensen & Meckling, 1976 as referenced in Tanko, 2020), frequently constitutes the primary emphasis of corporate governance literature. A limited definition of corporate governance, which solely emphasizes the traditional agency conflict between managers and shareholders, overlooks the possible conflicts of interest among other stakeholders. Consequently, assigning the duty of overseeing management to the board of directors may result in an additional agency conflict between the board and shareholders (Saidu & Gidado, 2018).

Empirical Review and Hypotheses Development

Effective Tax Rate and Financial Performance

Usman et al. (2020) investigates the effects of corporate tax planning, board remuneration, and business value among 71 financial industries in Nigeria from 2008 to 2015. The research employs secondary data obtained from the annual reports and accounts of the sampled organizations. The research utilizes generalized least squares (GLS) regression for analysis. The study indicated that the cash effective tax rate (CETR) had a minimal impact on Return on Assets (ROA). The study suggests that although ROA is considered a reliable indicator of business value and cash ETR is an acceptable method of tax planning, employing alternative proxies may be beneficial. Consequently, it advises that future research in Nigeria should utilise different metrics for these variables.

Adejumo and Sanyaolu (2020) analysed tax planning and profitability among nine Nigerian banks from 2012 to 2018. The research employs secondary data obtained from the annual reports and financial statements of the sampled firm. The study utilises the generalised method of moments to analyse the data. The analysis indicates that the effective tax rate (ETR) has a minimal impact on return on assets (ROA). The study concludes that it is limited to the banking sub-sector; subsequent research could enhance its scope by incorporating additional sub-sectors such as insurance companies and finance houses. Furthermore, future studies may concentrate on firms within the non-financial sector in the country utilizing the generalized method of moments. The report advises deposit money institutions to employ tax experts and to regulate their debt usage in their capital structure to capitalize on the tax shield from interest expenses, thereby decreasing their tax liabilities.

Silvy and Alexander (2019) investigate the impact of tax preparation on the value of publicly traded firms. Indonesia during the period of 2014 to 2016, the research employs secondary data obtained from the annual reports and accounts of the sampled organizations. The research additionally utilizes multiple regression to analyze the data. The analysis indicates that the effective tax rate (ETR) and cash effective tax rate (CETR) exert a considerable negative impact on Tobin's Q. The study indicated that good tax planning enhances a firm's value. Their tax liabilities will diminish, resulting in increased earnings, which will therefore attract additional investments from external investors. Conversely, the absence of appropriate tax planning procedures within a corporation is likely to result in a decline in the firm's worth.

Olabisi et al. (2019) examined the correlation between tax planning and performance in Nigerian publicly traded oil and gas companies from 2012 to 2017. The research utilizes secondary data obtained from the annual reports and financial statements of the sampled firm. The study utilizes pooled ordinary least squares regression to examine the data. The study demonstrates that the effective tax rate (ETR) has a considerable negative impact on return on assets (ROA). The study suggests that Effective Tax Rate (ETR) and Financial Structure (FS) are significant tax planning variables that might enhance the performance of publicly listed Oil and Gas companies in Nigeria. The report asserts that management's commitment to tax planning, as an integral component of the overall financial strategy of Nigerian listed Oil and Gas firms, is essential for improved performance.

Izevbekhai and Odion (2018) examine the impact of tax planning on the value of 87 enterprises listed on the Nigerian Exchange (NGX) from 2010 to 2016. The research utilizes secondary data acquired from the reports and accounts of the firm sampled. The research employs panel data and least squares techniques for data analysis. The research indicates that the effective tax rate (ETR) and tax savings significantly influence share price. The study advises enterprises to reduce their debt burden due to the inverse association between leverage and firm value. Firms should place greater focus on equity financing to mitigate the impact of restrictive covenants and the elevated costs associated with borrowed capital.

Gupta et al. (2017) discover no significant correlation between the effective tax rate (ETR) and financial performance. Lisowsky et al. (2016) propose that an elevated Effective Tax Rate (ETR) correlates with diminished financial performance. Nwaobia et al. (2016) evaluate the impact of tax planning on the performance of Nigerian listed manufacturing enterprises from 2010 to 2014. The research utilizes secondary data derived from the reports and accounts of the chosen firms. The research employs multiple regression to analyze the data. The research indicates that the effective tax rate (ETR) significantly impacts Tobin's Q. The study indicates that to optimize corporate tax payments while accounting for the associated private costs, companies need to engage in meticulous planning. The study indicates that the statistically substantial influence of the effective tax rate should be utilized as a determinant of business value in Nigeria.

Consequently, the effective utilization of tax rates to stimulate growth should be promoted. Sani and Madaki (2016) examine the impact of corporate tax planning on market value of ten oil and gas companies in Nigeria from 2005 to 2014. The research utilizes secondary data obtained from the annual reports and accounts of the sampled firms. The study utilizes descriptive statistical regression analysis to examine the data. The analysis indicates that the effective tax rate (ETR) has a minimal impact on Return on Assets (ROA). The study concludes that corporate tax avoidance affects the market value of the selected entities; however, the advantages of tax planning activities are not evident in shareholders' wealth. The findings indicate that return on equity and leverage significantly affect market value.

Pitulice et al. (2016) examine the influence of tax planning on the financial performance of publicly traded companies in Bucharest during a three-year period from 2012 to 2014. The research employs secondary data obtained from the annual reports of the sampled firms. The research employs multiple regression to analyze the data. The research indicates that the effective tax rate (ETR) does not significantly influence Return on Assets (ROA). The study indicates that some minor factors were omitted from the return on equity model, as their inclusion would have artificially inflated the degree of determination.

Based on the above argument the study formulated the hypothesis below to guide the guide the study.

H_{01}: Effective tax rate does not have significant effect on financial performance of listed deposit money banks in Nigeria

Cash Effective Tax Rate and Financial Performance

The cash effective tax rate (CETR) is the ratio of real cash taxes paid by a corporation to its pre-tax cash income. The CETR has attracted attention in recent years for its significance in evaluating a firm's cash tax management and financial success. Previous studies have yielded inconclusive findings concerning the correlation between CETR and financial performance. Zhang and Chen (2023) investigated the correlation between effective cash tax rates and profitability. Their research revealed an inverse relationship between cash effective tax rates and profitability metrics, including net profit margin and return on investment. This indicates that firms with reduced cash tax liabilities may attain superior financial outcomes. Additionally, Liang et al. (2023) examined the influence of cash effective tax rates on corporate value. Their findings indicated a positive correlation between cash effective tax rates and market value, implying that investor's view tax-efficient corporations as possessing superior financial potential. This indicates a favorable correlation between cash effective tax rates and financial performance from an investor's perspective. Nguyen et al. (2022) indicated a negative correlation between CETR and business profitability, implying that companies with elevated cash tax obligations may encounter diminished financial performance.

Olanisebe and Samaila (2020) evaluate the moderating influence of board characteristics on the link between tax planning and financial performance of Nigerian publicly listed oil companies from 2009 to 2018. The research employs secondary data obtained from the annual reports and accounts of the sampled organizations. The research utilizes descriptive statistics and pooled ordinary least squares regression to analyze the data. The study indicates that the effective tax rate (ETR) and cash effective tax rate (CETR) significantly influence Return on Assets (ROA). The study suggests that to maximize firm profitability, the board of directors should reduce corporation tax liabilities, which will entail additional costs. The report advises that firms convene to meticulously strategize their tax return. Furthermore, management ought to exploit a tax loophole to enhance the professional management of their capital and resources via a board structure mechanism.

Thanjunpong and Awirothananon (2019) investigate the impact of tax planning on the financial performance of 873 firm-years in Thailand from 2014 to 2016. The research employs secondary data obtained from the annual reports and accounts of the sampled organizations. The research additionally utilizes multiple regression to analyze the data. The study demonstrates that the effective tax rate (ETR) and cash effective tax rate (CETR) significantly influence return on equity (ROE). The study advises that publicly traded corporations should engage BIG4 auditors, since the findings reveal a significantly favorable correlation with BIG4 auditors, but a significantly negative correlation exists with non-BIG4 auditors.

Silvy (2019) examines the impact of tax preparation on the financial performance of publicly listed companies in Indonesia from 2014 to 2016. The research employs secondary data obtained from the annual reports and accounts of the sampled organizations. The study also utilizes multiple regression to examine the data. The study demonstrates that the effective tax rate (ETR) and cash effective tax rate (CETR) significantly influence return on equity (ROE). The study finds that good tax planning enhances a firm's value. Their tax liabilities will diminish, resulting in increased earnings, which will therefore attract additional investments from external investors. Conversely, the absence of appropriate tax planning procedures within a corporation is likely to result in a decline in the firm's worth.

Based on the assertion above the study formulated the hypothesis below to guide the guide the study.

H_{02}: Cash effective tax rate does not have significant effect on financial performance of listed deposit money banks in Nigeria

Book Tax Difference and Financial Performance

Book tax differences denote the variances between financial accounting income and taxable income as presented in a company's financial statements and tax returns, respectively. Book tax variances imply discrepancies between financial accounting income and taxable income, resulting from divergences in accounting and tax legislation. A multitude of studies has examined the influence of book-tax discrepancies on financial performance. Research conducted by Lee and Guenther (2022) shown an inverse correlation between the book tax disparity and residual financial performance. Likewise, Smith et al. (2021) identified an inverse correlation between book tax discrepancies and financial performance. Furthermore, Chukwudi et al. (2020) examine the impact of tax planning on the value of enterprises in Nigerian listed manufacturing companies from 2009 to 2018. The research employs secondary data acquired from the chosen company's financial records. The study utilizes ordinary least squares regression to analyze the data. The research indicates that the effective tax rate (ETR) and the Book Tax Difference (BTD) do not significantly influence Tobin's Q. The analysis concludes that profitability rises when the effective tax rate decreases.

Johnson and Thompson (2021) conducted a study on the relationship between effective tax rates and financial success, revealing a negative correlation. Their research demonstrated that elevated effective tax rates correlate with diminished financial performance, likely attributable to heightened tax loads and decreased cash flows. Akintoye et al. (2020) examine tax planning methods and profitability in Nigerian publicly listed industrial companies from 2008 to 2017. The research utilizes secondary data obtained from the annual reports and financial statements of the sampled firm. The research utilizes descriptive and inferential statistics, namely multiple regression and correlation, to analyze the data. The research indicates that the effective tax rate (ETR), tax savings, and Book Tax Difference (BTD) significantly influence Return on Assets (ROA). The research shows that tax planning tactics exert both substantial and negligible effects on the profitability of industrial enterprises listed on the Nigerian stock exchange, particularly for the reviewed years. The study recommends that Tax Managers and Finance Officers should effectively harness and manage research and development to enhance its contribution to the profitability of manufacturing enterprises.

Vrzina (2019) examines the influence of corporate tax preparation on the financial performance of companies listed on the Belgrade Stock Exchange from 2009 to 2018. The research utilizes secondary data obtained from the annual reports and accounts of the sampled firms. The research utilizes multiple regression to analyze the data. The results indicate that the cash effective tax rate (CETR), tax savings, and Book Tax Difference (BTD) significantly influence Return on Equity (ROE). Chen et al. (2018) discovered that greater discrepancies between book and tax income correlate with diminished financial performance. Likewise, Smith and Johnson (2018) discovered that greater discrepancies between book and tax income correlated with diminished profitability and increased financial difficulty. This indicates that firms with substantial book tax discrepancies may encounter difficulties in managing their tax obligations, perhaps detrimentally impacting their overall financial performance.

Razali et al. (2018) evaluate the influence of tax planning on the value of 387 enterprises in Malaysia from 2014 to 2016. The research utilizes secondary data extracted from the annual reports of the sampled firms. The research additionally utilizes multiple regression to analyze the data. The analysis indicates that the effective tax rate (ETR) and the Book Tax Difference (BTD) have both significant and inconsequential effects on Tobin's Q. The study finds that tax planning measures via ETR have a substantial association with corporate value. Companies with little tax planning efforts may indicate to investors a higher level of transparency in their financial disclosures, hence enhancing investor interest and trust in investing in such firms.

Jones (2017) conducted a study on a sample of publicly traded companies and identified a negative correlation between book tax differences and return on equity (ROE), suggesting that greater book tax discrepancies are linked to diminished financial performance. This discovery aligns with other prior research (Lazar, 2011; Assidi et al., 2016; Pitulice et al., 2016). The study also suggests that subsequent research should investigate the influence of alternative Effective Tax Rates (GAAP ETR or Cash ETR) on corporate financial performance.

Based on the above argument the study formulated the hypothesis below to guide the guide the study.

H_{03}: Book to tax difference does not have significant effect on financial performance of listed deposit money banks in Nigeria

Book Tax Difference Residual and Financial Performance

The residual of the book tax difference signifies the percentage that remains unexplained after considering multiple determinants. The residual of book tax disparities denotes the segment of these discrepancies that remains unaccounted for by firm-specific attributes. Researchers have investigated the impact of book tax difference residuals on financial performance. For instance, Li and Zhang (2023) conducted a study on a sample of Chinese enterprises, revealing a positive correlation between book tax difference residuals and financial performance. The researchers proposed that firms with elevated residuals may possess more efficient tax planning techniques or superior tax compliance practices, resulting in enhanced financial performance.

Furthermore, Wang and Xu (2022) investigated the correlation between book tax difference residuals and financial performance across several industries. Their research demonstrated that firms in sectors characterized by high capital intensity and substantial research and development investments exhibited bigger positive residuals, signifying a favorable correlation between book tax difference residuals and financial performance within these sectors.

Chen and Zheng (2023) examined the correlation between residuals of book tax differences and corporate profitability. Their research demonstrated that firms with favorable residuals, signifying greater book tax discrepancies than anticipated, generally display elevated profitability metrics, including gross profit margin and net profit margin. This indicates that companies employing appropriate tax planning tactics may attain enhanced financial performance. Wang and Liu (2023) investigated the influence of residuals from book tax differences on stock returns. Their research revealed that companies with positive residuals achieve elevated anomalous stock returns, suggesting that investors regard these enterprises as possessing superior financial outlooks. This indicates a favorable correlation between book tax difference residuals and financial performance from an investor's viewpoint.

Li et al. (2019) discovered that firms exhibiting greater residuals in book tax differences experienced diminished return on assets (ROA) and elevated bankruptcy risk. This implies that the residual of the book tax difference may indicate the quality of a firm's financial reporting, subsequently influencing its financial performance. Dyreng et al. (2017) discovered that companies exhibiting greater residuals in book tax differences demonstrate diminished financial performance. Conversely, research conducted by Desai and Dharmapala (2006) suggests that the residue of the book tax difference may not substantially influence financial performance.

Based on the above literature reviewed the study formulated the hypothesis below to guide the guide the study.

H_{04}: Book to tax difference residual does not have significant effect on financial performance of listed deposit money banks in Nigeria

Ownership Structure and Corporate Financial Performance

Musa et al. (2020) examine the influence of board size and ownership structure characteristics of corporate governance on the financial performance of Deposit Money Banks (DMBs) in Nigeria. Panel data were obtained from the published annual reports of 16 listed deposit money banks in Nigeria for the period 2011-2015. Utilizing Return on Assets (ROA) and Return on Capital Employed (ROCE) as dependent variables, with board size and ownership structure serving as independent variables. The research revealed that management ownership and institutional ownership correlate with a negative return on assets (ROA), whereas block ownership positively influences ROA but negatively affects return on capital employed (ROCE).

Oyedokun et al. (2020) evaluated the influence of ownership arrangements on the valuation of publicly traded manufacturing enterprises (consumer products) in Nigeria from 2010 to 2018. As of December 31, 2018, there were twenty-one (21) quoted consumer products firms on the Nigeria Stock Exchange. A judgmental sampling method was employed to select nineteen (19) consumer products companies for the investigation. The study examined how Managerial Ownership, Institutional Ownership, Foreign Ownership, and Ownership Concentration influence the valuations of publicly traded consumer goods enterprises in Nigeria. Data were obtained from secondary sources via the annual reports and financial statements of selected consumer products companies in Nigeria. The research employed a panel regression methodology for analysis. The findings indicated a detrimental impact of management ownership on business value. Institutional ownership, foreign ownership, and ownership concentration all positively influence the firm value of consumer products companies in Nigeria.

Ownership concentration and state ownership seem to have no impact on business performance. Saidu and Gidado (2018) investigated the impact of management ownership on the financial performance of publicly listed industrial companies in Nigeria. The non-survey research approach was employed, utilizing data derived from the annual reports and financial statements of publicly listed manufacturing companies in Nigeria. The study encompasses forty (40) manufacturing enterprises listed on the Nigeria Stock Exchange (NSE) as of December 31, 2016, from which ten were chosen as the sample size. This study employed correlation and ordinary least squares (OLS) regression approaches for analysis. The research indicated that management ownership adversely and significantly affects the return on assets (ROA) of publicly listed manufacturing companies in Nigeria.

Similarly, Yahaya and Lawa (2018) investigated the impact of ownership structure on the firm value of Nigerian deposit money institutions. The study assessed the impact of ownership structure characteristics (concentrated, managerial, and foreign) on company value, specifically Return on Equity and Return on Assets. The research employed a sample of fifteen (15) banks listed on the Nigerian Stock Exchange. The research utilized secondary data sourced from the audited reports of Nigerian deposit money institutions during a nine-year period (2008-2016). The acquired data were analyzed using the System Generalized Method of Moments. Findings indicate that only institutional ownership exerts a positive and significant impact on financial performance, but other forms of ownership, including managerial, foreign, and concentrated ownership, demonstrate an inconsequential or negative effect on company performance.

Zhang and Kyaw (2017) assess the relationship between ownership structure and corporate performance in Chinese firms. Data from 1,178 non-financial enterprises including a total of 5,815 firm-years derived from annual reports was employed. The fixed-effect panel model demonstrates a favorable correlation between company performance and institutional ownership in Chinese enterprises. The ratio of tradable shares adversely impacts corporate performance.

Based on the above argument the study formulated the hypotheses below to guide the guide the study.

H_{05}: Managerial ownership does not have significant effect on financial performance of listed deposit money banks in Nigeria

H_{06}: Managerial ownership does not significantly moderate the effect of effective tax rate on financial performance of listed deposit money banks in Nigeria

H_{07}: Managerial ownership does not significantly moderate the effect of cash effective tax rate on financial performance of listed deposit money banks in Nigeria

H_{08}: Managerial ownership does not significantly moderate the effect of book to tax difference on financial performance of listed deposit money banks in Nigeria

H_{09}: Managerial ownership does not significantly moderate the effect of book to tax difference residual on financial performance of listed deposit money banks in Nigeria

Methodology

The study employed a longitudinal research design, which tracks data over a period of 12 years (2012 to 2023), allowed for a comprehensive analysis of the relationships between managerial ownership, tax aggressiveness, and financial performance in 12 Nigerian Deposit Money Banks (DMBs). This design enables the observation of patterns and trends over time, offering a deeper understanding of how these variables interrelate and their impact on the banks' performance. The secondary data were obtained from the audited annual reports of chosen domestically significant banks listed on the Nigerian Exchange Group (NGX) over a 12-year period (2012-2023). The data derived from the audited annual reports and accounts of the selected banks.

Table 1Variables and Measurement

Variables	Types	Measurements/Source(s)	Sources
Financial performance	Dependent	Profit before tax and interest divide by total assets	Samaila and Siyanbola (2020); Prananingrum et al. (2018)
Effective tax rate	Independent	Provision for tax expense divide by profit before interest and tax	Pettersson and Wu (2015); Kibiya and Bilyaminu (2019); Chen et al., 2019a).
Cash effective tax rate	Independent variable	Cash tax paid divide by profit before interest and tax	Pettersson and Wu (2015); Kibiya and Bilyaminu (2019); Chen et al., 2019a).
Book to tax difference	Independent	$Profit\ before\ tax{-}current\ tax\ expenses\ statutory\ tax\ rate$ Scaled by total assets	Tanko et al. (2022)
Residual of BTD	Independent	Residual of Book Tax difference. $Profit\ before\ tax{-}current\ tax\ expenses\ statutory\ tax\ rate$ Scaled by total assets	Siyanbola and Samaila (2022); Tanko (2023) Desai and Dharmapala, (2006).
Managerial ownership	Moderating	Shares held by directors divide by total shares.	(Eichfelder et al., 2016; Tanko 2020)

Source: Authors compilation 2024

Model Specification

This study adapts the model from (Silvy & Alexander, 2016; Tanko & Siyanbola, 2024). This model was modified to capture the study variables (return on equity, managerial ownership, effective tax rate, and leverage) and it is stated as follows:

$ROAit = \beta0 + \beta1ETRit + \beta2CETRit + \beta3BTDit + \beta4RBTDit + \varepsilon it$ ....…..................1
$ROAit = \beta0 + \beta1ETRit + \beta2CETRit + \beta3BTDit + \beta4RBTDit + \beta5MOit + \varepsilon it$ -----------------------2
$ROAit = \beta0 + \beta1ETRit + \beta2CETRit + \beta3BTDit + \beta4RBTDit + \beta5MOit + \beta6ETR*MOit + \beta_7 CETR*MO_{it} + \beta_8 BTD*MO_{it} + \beta_9 RBTD*MO_{it} + \varepsilon_{it}$ 3

Where:

ROA= return on asset
ETR= effective tax rate
CETR= cash effective tax rate

BTD= book tax difference
RBTD= residual book tax difference
MO= Managerial Ownership
i is the given deposit money banks
t = Time dimension of the variant
ε = error term
β0 = the intercept coefficient
β1- β9 = the slope coefficients

Technique of Data Analysis

The study employs both statistical and economic methodologies to furnish a comprehensive foundation for the investigation. The utilized statistical tools are descriptive statistics and correlation analysis. Descriptive statistics are employed to furnish the preliminary characterization of the data. Econometric analysis enhances statistical analysis to conduct empirical investigations and derive sufficiently accurate estimated coefficients for hypothesis testing in the study. The preceding chapter elucidates the utilization of the Panel Data Analysis method in econometric analysis.

Table 2: Descriptive statistics (N=120)

Variables	Mean	Std. Dev.	Minimum	Maximum
ROA	0.0396	0.0733	-0.0910	0.5403
ETR	0.1422	0.1182	-0.1018	0.4850
CETR	0.1254	0.1370	-0.0198	0.7349
BTD	0.1324	0.9872	-0.1247	10.7843
RBTD	0.2704	0.9984	-0.2423	10.986
MO	0.0184	0.0312	0	0.1368

Source: STATA 14 output

Table 2 indicates that, on average, the specified deposit money banks (DMBs) in Nigeria exhibit a return on assets (ROA) of 0.0396. This indicates that the sector, on average, generates an annual profit of 3.96%. The standard deviation indicates that the ROA values of 0.0733 exhibit a moderate degree of variability around the mean. The range from 0.0910 to 0.5403 illustrates the variability in financial performance. The average effective tax rate (ETR) is 0.1422, signifying the overall tax obligation of the firms. This low ETR suggests substantial tax planning, as it remains below the 20% and 30% tax rates applicable to small and large firms in Nigeria, respectively. The standard deviation of 0.1182 indicates a reasonably low level of dispersion in ETRs. The minimum value of -0.1018 and the greatest value of 0.4850 are extreme values that may signify probable outliers influencing the mean. The reported mean value of the Cash Effective Tax Rate (CETR) is 0.1254, signifying an average CETR of 12.54%, which reflects the ratio of cash taxes to income. Conversely, the standard deviation is 0.1370. The elevated standard deviation indicates significant variability in CETRs. The minimum value of -0.0178 and the largest value of 0.7349 indicate a somewhat volatile cash tax rate among enterprises.

The average BTD of 0.1324 indicates that, on average, enterprises exhibit a minor book-tax difference of 13.24%. This signifies inadequate tax preparation. The elevated standard deviation of 0.9874 indicates greater unpredictability in book-tax discrepancies. Furthermore, the minimum and greatest values of -0.1247 and 10.7843, respectively, illustrate the extensive range of book-tax discrepancies encountered. Certain corporations actively participate in tax planning, resulting in significant disparities between book and tax earnings, whereas others display negligible variance. Furthermore, the Residual of Book Tax

Difference (RBTD) variable signifies the unexplained component of BTD after accounting for other factors affecting financial performance. The average RBTD of 0.2704 indicates that approximately 27.04% of the discrepancy between book and tax earnings is not elucidated by the model. The standard deviation (0.9968) and range (-0.2423 to 10.9872) indicate moderate variability in the unexplained component of tax discrepancies.

The average manager ownership (MO) of 0.0184 indicates that, on average, managerial ownership correlates with a 59.14% enhancement in financial performance. It appears that DMBs have inadequate managerial ownership. The standard deviation (0.0312), highest value (0.1368), and minimum value of 0 signify considerable variation in managerial ownership among enterprises. Some organizations exhibit minimal managerial ownership, whilst others display intermediate levels of managerial ownership. This signifies a substantial deviation from the mean.

Table 3 Correlation Matrix

VAR.	ROA	ETR	CETR	BTD	RBTD	MO	VIF
ROA	1.0000						
ETR	0.1089	1.0000					1.21
CETR	0.1572	0.4860	1.0000				1.30
BTD	0.5903	0.0961	-0.3331	1.0000			1.28
RBTD	0.0507	-0.0598	-0.1032	0.2996	1.0000		1.39
MO	0.0283	0.1543	-0.1550	0.0687	0.1340	1.0000	1.03

Note. Stata 14 output based on data extracted from listed oil and gas firms from 2012 - 2022

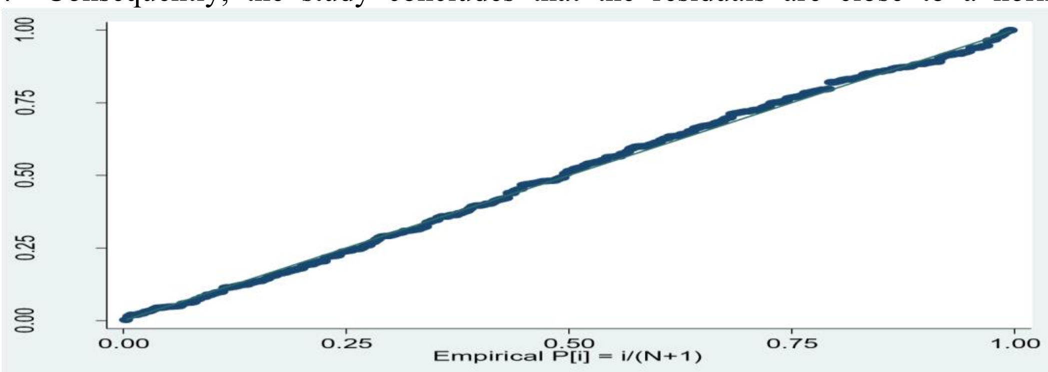
Table 3 presents the correlation coefficients between the dependent variable and the independent factors in the research. Additionally, it presents the correlation matrix, illustrating the Spearman correlation coefficients among all pairs of research variables. The selection of the Spearman correlation, as opposed to the Pearson correlation, is due to the Shapiro-Wilk test for normality revealing that the data are not regularly distributed. The table above indicates that ETR, CETR, BTD, RBTD, and MO have a positive correlation with ROA. The positive correlations exhibit coefficient values of 0.1089, 0.1572, 0.5903, 0.0507, and 0.0283 for ETR, CETR, BTD, RBTD, and MO, respectively. This indicates that enhanced tax planning efforts, elevated effective and cash tax rates, and unaccounted tax discrepancies correlate with improved financial performance (higher ROA). This suggests that the efficient application of tax planning measures may enhance profitability for Deposit Money Banks (DMBs). The positive relationships among tax planning metrics (BTD, RBTD, ETR, CETR, MO) and ROA indicate that efficient tax planning tactics may enhance profitability for Deposit Money Banks (DMBs). This underscores the advantages of employing legal and ethical tax planning tactics to minimize tax liabilities and improve financial outcomes. The correlations among the explanatory variables are predominantly modest, with the exception of the substantial correlation between BTD and ROA, which has a coefficient value of 0.5906. The correlation coefficient among the explanatory factors does not indicate detrimental multicollinearity. This is corroborated by the Variance Inflation Factor (VIF), which is below 10. The minimum VIF is 1.03 for MO, while the maximum VIF is 1.39 for RBTD.

Pre and Post Estimation Tests (Diagnostic Tests)

The study conducted several diagnostic tests to ensure the validity and reliability of the regression models. These tests include normality test, heteroscedasticity test, multicollinearity test, Hausman specifications test, and Langrangian multiplier test.

Normality of Residuals

The study uses the standardized normal probability plot (p plot) to validate the normality assumption of classical linear regression model (CLRM) on the residuals obtained from the model. The plot as presented in figure 1. The figure shows that the pnorm showed a slight sign of non-normality at the centre of the distribution. This shows that the residual's deviation from normality is negligible. Consequently, the study concludes that the residuals are close to a normal distribution.



Multicollinearity

The correlation coefficients and variance inflation factor (VIF) in Table 3 shows that there is an absence of harmful relationship among the predictors. The highest VIF is 1.39 for RBTD and minimum VIF is 1.03 for MO. In addition, the correlation matrix also shows absence of multicollinearity since none of the explanatory has relationship of 0.8

Homoscedasticity of the Residuals

A heteroskedasticity test is performed to determine if the variation in error terms is constant across the explanatory variables regarding the impact of tax planning on financial performance, using managerial ownership as a moderating variable. The purpose of this test is to confirm that the regression accommodates all independent factors, ensuring that the residuals do not exhibit variability with respect to the independent variables and are thus random in nature. Furthermore, the Breusch-Pagan test is employed to assess heteroscedasticity in the model's residuals. The test statistics for models one and two are 94.93 and 87.96, respectively, with a probability value of 0.0000, indicating significance at the 1% level, as presented in Table 4. The low p-value signifies substantial evidence against the null hypothesis of homoscedasticity, indicating the presence of heteroscedasticity in the data. This was rectified with robust regression.

In model three, the Breusch-Pagan test was employed to assess heteroscedasticity in the model's residuals. The test statistic is $\chi^2(1) = 16.91$, with a p-value of 0.1286. The elevated p-value (0.1286) indicates a lack of substantial evidence against the null hypothesis of homoscedasticity. The groupwise heteroscedasticity has a chi-squared statistic of 61.54 with a probability value of 0.3410. Consequently, there is no compelling evidence of heteroscedasticity in the data.

Hausman Specification Test

Model one in Table 4 exhibits a chi-squared statistic of 2.12 with a p-value of 0.7130, while model two presents a chi-squared statistic of 1.87 with a probability value of 0.8666. As the p-value exceeds the traditional significance threshold (e.g., 0.05), the study does not reject the null hypothesis. This indicates that there is no substantial disparity between the estimates derived from the random effects and fixed effects models, with the random effects model being the most suitable choice; conversely, the Hausman test of model three exhibits correlation with the independent variables, indicating endogeneity. The analysis reveals a chi-squared statistic of 19.97 with 8 degrees of freedom and a p-value of 0.0104, indicating significance at the 1% level. This signifies robust evidence against the null hypothesis, indicating that the random effects and fixed effects models are markedly distinct. The random effects model may be unsuitable in this instance, making the fixed effects model preferable.

Breusch-Pagan Lagrangian Multiplier Test for Random Effects

The study used the Lagrangian multiplier test to determine whether to use OLS or random effects estimations for model one. The results in Table 4 indicate chibar2(01) values of 117.17 and 107.29 for models one and two, respectively, both exhibiting a p-value of 0.0000, signifying that the random effects are statistically significant at the 1% level. This indicates that the random effects model is better suitable than ordinary least squares (OLS).

Table 4 ***Panel Regression Results***

	Model one				Model two		Model three		
Variables	**Coef.**	**Z**	**P>|z|**	**Coef.**	**z**	**p>/z/**	**Coef.**	**T**	**P>|t|**
Constants	0.0690	2.49	0.013***	0.0701	2.53	0.011***	0.0886	5.84	0.000***
ETR	0.0401	1.36	0.173	0.0422	1.25	0.212	0.0095	0.14	0.886
CETR	-0.0399	-1.96	0.050**	-0.0402	-1.84	0.066*	-0.0546	-1.21	0.228
BTD	0.2122	1.78	0.075*	0.2106	1.73	0.084*	0.2621	6.43	0.000***
RBTD	-0.2123	-1.78	0.075*	-0.2107	-1.73	0.084*	-0.2623	-6.43	0.000***
MO				0.0896	3.98	0.000***	-1.2364	-2.09	0.039**
ETR_MO							-0.1375	-0.06	0.952
CETR_MO							1.8845	1.30	0.197
BTD_MO							-4.1636	2.22	0.029**
RBTD_MO							4.2911	2.40	0.018**
Overall R^2		0.1174			0.1260			0.1168	
Wald Chi2/F-Sta.		2.08	0.0002		2.32	0.0011		5.14	0.0020
Hausman		2.12	0.7130		1.87	0.8666		19.97	0.0104
LM chibar2		117.17	0.0000		107.29	0.0000			
Hettest Chi2		87.96	0.0000		94.93	0.0000		16.91	0.1286

Note. Stata 14 output based on data extracted from listed deposit money banks from 2013-2022
***and * indicate 1%, and 5% level of significance respectively.

Table 4 demonstrates that the cumulative R^2 of the study, along with the various R^2 coefficients of determination, signifies the proportion of total variation in the dependent variable elucidated by tax planning. R-squared values for the robust random effect and fixed effect for models one, two, and three, respectively, the total R-squared values are 0.1174, 0.1160, and 0.1168 for models one, two, and three, respectively. The R-squared values indicate the model's goodness-of-fit. The R-squared values of 0.1174, 0.1160, and 0.1168 for models one, two, and three, respectively, quantify the proportion of total variance in the dependent variable accounted for by the independent variables. The Wald chi-squared test and F-statistics are employed to assess the significance of the coefficients in the models. The test values for models one, two, and three are 2.08, 2.32, and 5.14, respectively. The probability values for these tests are 0.0002, 0.0011, and 0.0020, all of which are below the conventional threshold of 0.05. Consequently, the study concludes that there is statistically significant evidence indicating that at least one independent variable significantly affects the financial performance of listed DMB firms in Nigeria.

Model One: Tax Planning and Financial Performance

The coefficient of 0.0401 and a probability value of 0.173 in Table 4 suggest that the effective tax rate (ETR) exerts a positive but small influence on return on assets (ROA). This indicates that an elevation in ETR results in a concomitant rise in ROA of 4.01%. This indicates that, despite its insignificance, managers should remain aware of ETR's potential influence on ROA and include it into their tax planning efforts. This discovery corresponds with agency theory, indicating that tax preparation inherently enhances financial performance.

This observation aligns with the results of Chen and Chen (2021), who determined that ETR positively and significantly influences financial success. Nonetheless, the outcome contradicted the conclusions of Adejumo and Sanyaolu (2020); Silvy and Alexander (2019); Tanko and Siyanbola (2024), who indicated that ETR adversely affects business value. Emphasising tax planning measures may significantly improve the return on assets for publicly traded deposit money banks in Nigeria. The insignificance impact suggests that additional issues beyond tax planning must be evaluated to enhance financial performance.

The cash effective tax rate (CETR) exhibits a negative and statistically significant impact on return on assets (ROA), with a coefficient of -0.0399 and a p-value of 0.050. An increase in CETR correlates with a decline in ROA, suggesting that banks utilising cash-based tax avoidance measures often encounter diminished financial performance. These findings concur with the research conducted by Zhang and Chen (2023), which documents that CETR has detrimental and substantial impact on financial performance. However, I contested the conclusions of Liang et al. (2023).

The study contradicts agency theory, suggesting that a more effective tax approach (increased CETR) adversely affects financial performance, revealing a misalignment of management's interests with those of shareholders. The practical implication indicates that optimising cash tax payments does not enhance ROA. Banks should prioritise the efficient management of their cash tax payments to improve financial performance. Banks should not exclusively concentrate on refining cash-based tax planning tactics to improve their financial performance.

The positive and substantial impact of BTD on ROA (coefficient value of .2122, probability value of 0.075) indicates a statistically significant positive correlation between BTD and ROA. This indicates that a 1% increase in BTD would enhance financial performance by 21.22%. The conclusion suggests that companies should meticulously manage book tax discrepancies to improve their financial performance. A

1% rise in book tax differential significantly affects ROA. Assuming all other conditions remain constant, a 1% increase in book tax difference correlates with a 21.22% gain in ROA. The discovery corroborated agency theory, suggesting that management aligned their interests with those of shareholders by augmenting BTD, which subsequently enhanced financial performance.

The findings demonstrate a positive and significant impact of BTD on ROA, indicating that firms with greater book-tax differences report lower taxable income compared to accounting income and generally exhibit higher return on assets (ROA). This indicates that proficient tax planning strategies employing temporary differences and other lawful methods to minimize tax obligations favorably influence financial performance. The study's results concurred with those of Johnson and Thompson (2021) and Akintoye et al. (2020). Nonetheless, the result contradicted the conclusions of Lee and Guenther (2022) and Vrzina (2019). The remaining book tax difference indicates a negative and considerable impact on ROA, underscoring the possible disadvantage of extensive tax preparation. Although transitory disparities initially enhance ROA, their subsequent reversal (residual book-tax difference) may adversely affect performance. The result aligns with the conclusions of Li et al. (2019) and Dyreng et al. (2017), although contradicts the findings of Li and Zhang (2023) and Wang and Xu (2022).

The study documents a negative and significant impact of the residual book tax difference (RBTD) on return on assets (ROA), with a coefficient of -0.2122 and a probability value of 0.075, which is significant at the 10% level. This indicates that an increase in RBTD results in a drop in ROA. This underscores the possible detrimental effects of specific tax preparation strategies, particularly those leading to substantial book-tax discrepancies, on financial performance. This conclusion suggests that managers must meticulously assess the consequences of aggressive tax planning tactics that lead to significant book-tax discrepancies, as these may adversely impact financial performance. The practical implication is that variances between book and tax reporting may result in less ROA, prompting banks to strive for the reduction of differences to enhance financial performance.

This indicates that as transient differences revert in future periods, RBTD rises, resulting in diminished reported profits and potentially reducing ROA. This discovery opposes agency theory, indicating that discrepancies between book and tax reporting adversely affect financial performance. The discovery aligns with the results of Li and Zhang (2023), who reported that RBTD adversely affects financial performance.

Model Two and Three: Managerial Ownership, Moderated Tax planning and Financial Performance.

Table 4 presents the results of Model Two, revealing that managerial ownership has a positive and significant impact on ROA (coefficient value of 0.0896, probability value of 0.000), suggesting that increased managerial ownership correlates with enhanced financial performance. This indicates that a 1-unit increase in shares held by managers or directors would enhance financial performance by 0.896 units. The study suggests that promoting managerial ownership may align the interests of managers with shareholders, perhaps resulting in improved financial performance. It implies that aligning managerial interests with those of shareholders can enhance ROA. Banks ought to contemplate augmenting managerial ownership to potentially enhance financial performance. This is consistent with agency theory, suggesting that increased managerial ownership is associated with improved financial performance. The discovery corroborated the results of Gugong, Arugu, and Dandago (2014), who similarly identified that managerial ownership enhanced financial performance. Nonetheless, the study contradicts the conclusions of Saidu and Gidado (2018), which indicated that managerial ownership did not enhance financial success.

Managerial ownership adversely moderates the relationship between ETR and ROA, indicating that more managerial ownership diminishes the detrimental effect of ETR on financial performance. Nonetheless, the effect is negligible. This indicates that managerial ownership diminishes the impact of ETR on financial success, in contrast to the findings in model one, which demonstrate that ETR positively influences financial performance. Likewise, the findings indicate that managerial ownership negatively moderates the impact of BTD on financial performance. The moderating effect on BTD is negative and significant, suggesting a less distinct moderating role. Comparing the moderated data to the model results, it is evident that management ownership diminishes the effect of BTD, transforming it from a positive effect in model one to a negative effect.

Banks must recognize that an exclusive emphasis on tax planning measures via managerial ownership may not guarantee enhanced financial performance. Therefore, they ought to broaden their plans to encompass additional elements beyond tax planning. Higher managerial ownership may alleviate the adverse consequences of particular tax planning methods; however, its influence may differ based on the exact strategy utilized.

Managerial ownership strongly influences the relationship between CETR and RBTD on ROA. However, it indicates that more managerial ownership enhances the correlation between these tax planning strategies and financial performance. In comparison to model one, which indicates that CETR has a negative and insignificant effect on financial outcomes, the effect became positive yet remained insignificant upon the introduction of the moderator. Nonetheless, trivial. Conversely, RBTD was significantly negative in model one; however, it became significantly positive with the inclusion of the moderator.

The findings suggest that increased managerial ownership can improve the efficacy of tax planning measures in enhancing financial performance. Furthermore, the inference is that banks would priorities the optimization of their cash tax payments to improve financial performance, as evidenced by the positive and considerable impact on ROA. Tax policies may be structured to encourage banks to implement more effective tax management methods, so enhancing their financial stability.

The results predominantly support agency theory, indicating that increased managerial ownership correlates with enhanced financial performance, signifying the congruence of managerial interests with those of shareholders. The adverse effect of certain tax planning tactics on ROA, exemplified by significant book-tax discrepancies, indicates a possible conflict of interest between managers and shareholders, which is inconsistent with the tenets of agency theory.

The idea of political power is evident in the beneficial moderating effect of management ownership on cash-based tax planning methods concerning ROA, highlighting banks' capacity to utilise their resources to reduce tax obligations within legal parameters. The adverse effects of book-tax discrepancies indicate restrictions on the degree of tax planning that banks can engage in without detrimentally affecting financial performance, highlighting the limitations imposed by regulatory and market dynamics.

Test of Hypotheses

H_{01}: Effective tax rate has no significant effect on financial performance.

The study shows that ETR has an insignificant effect on financial performance. Hence, the study does not provide enough evidence to reject the null hypothesis.

H_{02}: Cash effective tax rate has no significant effect on financial performance.

The study shows that CETR has a significant effect on financial performance at probability value of 0.050 which is significant at 5% level of significance. Hence, the study documents enough evidence to reject the null hypothesis.

H03: Book tax difference has no significant effect on financial performance.
The study shows that BTD has a significant effect on financial performance, it shows probability value of 0.075. Hence, the study provides enough evidence to reject the null hypothesis which states that BTD has no significant effect on financial performance.

H04: Residual of book tax difference has no significant effect on financial performance.
The study shows that RBTD has a significant effect on financial performance at p-value of 0.075. Hence, the study revealed enough evidence to reject the hypothesis which states that RBTD has no significant effect on financial performance.

H05: Managerial ownership has no significant effect on financial performance.
The study shows that MO has a significant effect on financial performance at 1% level of significance. Hence, the study provides enough evidence to reject the null hypothesis which states that MO has no significant effect on financial performance.

H06: MO does not significantly moderate the effect of ETR on financial performance.
The study shows that MO does not significantly moderate the effect of ETR on FP. Hence, the study does not document enough evidence to reject the hypothesis which states that MO does not significantly moderate the effect of ETR on FP.

H07: MO does not significantly moderate the effect of CETR on financial performance.
The study shows that MO does not significantly moderate the effect of CETR on FP. Hence, the study does not reveal enough evidence to reject the hypothesis which states that MO does not significantly moderate the effect of CETR on FP.

H08: MO does not significantly moderate the effect of BTD on financial performance.
The study shows that MO significantly moderates the effect of BTD on FP at P-value of 0.029. Hence, the study provides enough evidence to reject the hypothesis which states that MO does not significantly moderate the effect of BTD on FP.

H09: MO does not significantly moderate the effect of RBTD on FP.
The study shows that MO significantly moderates the effect of RBTD on FP at 5% level of significance. Hence, the study documents enough evidence to reject the hypothesis which states that MO does not significantly moderate the effect of RBTD on FP.

Conclusion and Recommendations
Based on the findings of the study, several conclusions can be drawn:

The Effective Tax Rate (ETR) did not substantially influence Return on Assets (ROA), suggesting that tax planning methods alone may not ensure enhanced financial performance for publicly listed deposit money institutions in Nigeria. The Cash Effective Tax Rate (CETR) exerted a negative and significant impact on ROA, indicating that merely optimizing cash tax payments does not improve financial performance. The Residual of Book Tax Difference (RBTD) adversely affected Return on Assets (ROA), highlighting the necessity of reducing variances between book and tax reporting.

Moreover, BTD is a significant contributor to enhanced financial success. Managerial ownership positively and significantly influenced ROA, suggesting that aligning managerial and shareholder objectives enhance financial performance. Managerial ownership significantly influenced the effects of tax planning variables on ROA, underscoring its significance in determining the link among tax planning, financial reporting, and financial performance.

The research presents the following recommendations based on its findings.

I. Regulatory entities, including the Central Bank of Nigeria, should promote the adoption of comprehensive financial management strategies by banks, extending beyond tax planning, to improve overall financial performance. Establish more explicit instructions or incentives to reduce disparities between financial and tax reporting.

ii.Banks must prioritize the optimization of cash tax payments to improve financial performance and strive to minimize mismatches between book and tax reporting to avert adverse effects on financial performance.

iii.Consider integrating managerial ownership levels into regulations that dictate the proportion of shares managers and directors should hold in banks to enhance governance effectiveness and, consequently, improve financial performance. Corporate governance regulations may promote banks to increase managerial ownership to improve overall governance efficacy.

iv.Furthermore, given that managerial ownership moderates the impact of tax planning on financial performance, bank shareholders should augment managerial ownership to align managerial interests with those of shareholders, so potentially enhancing financial performance.

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