



IMPACT OF MULTIPLE DIRECTORSHIP ON TAX COMPLIANCE OF NON-FINANCIAL LISTED COMPANIES IN NIGERIA

¹Mathias Gboyega Ogundeji
(mgogundeji2011@yahoo.com)
+2348023153336

²Sanni Mubaraq (PhD)
(mubaraq.sanni@kwasu.edu.ng)
+2348023153336

^{1&2}Department of Accounting and Finance, Faculty of Humanities, Management and Social Sciences, Kwara State University, Malete, Kwara State, Nigeria

Abstract

Generating enough tax revenue is still a universal phenomenon, due to unabated tax scandal. This study examines the impact of multiple directorship on tax compliance of non-financial listed companies in Nigeria. Cash Effective Tax Rate (CETR) was used to proxy tax compliance. This study employed explanatory sequential design of mixed method to collect and analyse quantitative and qualitative data and merged the data-sets for interpretation of the results. The study explores data from 68 companies out of 116 non-financial listed companies from 2004 to 2018 due to incomplete data. While, qualitative data was obtained through semi structured interviews on 17 corporate governance agents. A Generalised Least Squares Regression and Discourse analysis were used to analyse the quantitative and qualitative data, respectively. The GLS Wald chi-square result shows that multiple directorship has no significant impact on CETR of non-financial listed companies in Nigeria. The study concludes that multiple directorships do not have a significant impact on tax compliance. However, most of the respondents in the qualitative study suggest a strict restriction on the number of board on which a board member can serve simultaneously, in order to achieve tax compliance. The study recommends that Financial Reporting Council (FRCN) should promote a policy that could regulate the maximum number of boards on which a director can serve simultaneously to a maximum of three boards in line with international practice.

Key words: Tax compliance, Multiple Directorship, Tax Proxies, Mixed Research Method, Corporate Board.

1. Introduction

Corporate taxes constitute a major source of revenue to the government to finance the budget and fiscal management of the economy, but, more often than not, tax payers engaged in tax non-compliance, thereby depriving the government of adequate fund to finance the budget (Alabede, Ariffin & Idris, 2011). The tax non-compliance behaviour has caused the contribution of tax revenue to gross domestic product (GDP) to be consistently low and shrinking (Anyachie & Areji, 2015). According to PWC (2014) report, France had a tax to GDP ratio of 44.6%, Sweden 45.6%, UK 39%, United State of America 27%, Tanzania 12%, Burkina Faso 11.5%, Ghana 21%, South Africa 25% and Nigeria 6.1% in 2015, even nosed dive to 5.7% in 2017(OECD, 2019). The Income tax payment is seen as a cost to the company because it takes a huge amount of the profit before tax with the attendant reduction in the distributable profits and this might be the reason for the unabated war against tax scandal (Laurance & Gillard, 2010). Tax revenue loss is greater in developing countries than the developed countries due principally to weak corporate governance (Obon, 2013).

Sapiei1, Kaspillai and Eze (2014) suggest that tax compliance in the context of the true reporting of the tax base, correct computation of the tax liabilities, timely filing of tax returns, and timely payment of tax due to government is necessary to achieve appreciable growth in tax revenue to



gross domestic product ratio. Tax compliance proxies such as Effective Tax Rate (ETR) and Cash Effective Tax Rate (CETR) are usually below the corporate rate and that book tax difference exists between taxable and accounting income (Minnick & Noga, 2010, Kourdoumpalou, 2016). This implies that corporate tax payers are defaulting in the payment of the right amount taxes.

Agency problem associated with the separation of ownership and control between owner and management may have been a bane to tax compliance. This is because decisions of tax strategy are taken by the managers, who are not largely affected by the economic consequences of their actions (Garbarino, 2011). However, Nwanji and Howell (2007) suggest that some of the problems associated with the scandal might be due to the need for corporate governance to change the nature of shareholders theory of profit maximisation as the main business objective to include the interest of the stakeholder group. Nevertheless, Desai and Dharmapala (2008) assert that, a strong corporate governance can act as a conciliator between managerial opportunism and effective tax compliance.

The global financial scandals at modern corporations (Enron in 2001; WorldCom in USA in 2001, Parmalat, Barclay Banks in UK in 2008, Cadbury Nigeria Plc., in 1992 and MTN Nigeria Ltd, between 2010-2013) has in no doubt made corporate governance a subject of an intense reflection in the last two decades (Monem, 2011). Each round of corporate scandals over the years usually prompted a fresh round of debate and corporate governance enhancements. The board is the most important mechanism of the several attributes that create good corporate governance and at the heart of corporate governance reforms and enhancements is a concern for the effectiveness of the board of directors (Salleh & Othman, 2016). Nevertheless, the global financial crisis was blamed on the failure of the board to discharge its managerial oversight role (Elghuweel, 2015).

The Nigerian Securities and Exchange Commission (SEC) in response to the global financial crisis of 2001 issued the first governance code in 2003, to guide ethical practices of listed companies. However, despite the series of governance codes issued, audit's frequency, sanctions and tax reforms by the successive administrations to improve tax revenue in Nigeria, tax revenue contribution to Gross Domestic Product (GDP) is still low at 5.7% (OECD, 2019), which is one of the least in the world (Alabede *et al.*, 2011). This appalling index cast doubt on the adequacy and effectiveness of the existing board structure in Nigeria to achieve tax compliance. The effectiveness of any board member depends on competence and quantum of time available, but it has been observed that most of the board members serve on several boards, simultaneously. Therefore, these directors are unlikely to engage in critical monitoring of managers on germane issues including tax compliance (Carrera, 2013).

These outside directors are people of repute and constitute about 10 percent of board membership serving on more than one board and they are known as multiple directors or interlocking directors. (Hermalin & Weisbach, 2003). Reputation hypothesis and busyness hypothesis are prominent in the literature of multiple directorships. Reputation hypothesis posits that directors with more outside board seats provide expertise and contribute a valuable set of resources to the company, hence, have greater influence on corporate decision (Fama & Jensen, 1983). Busyness hypothesis, holds that directors with too many outside board appointments have limited attention, capacities, and time constraints and are less likely to monitor management, effectively (Ferris, Jagannathan & Pritchard, 2003). However, some prior studies argue that the participation of a director on more than one



board weakens corporate governance, increase ethical practices (financial and tax scandals), lowers profitability, reduces market-to-book ratios, weaken directors' monitoring quality and erodes shareholder value and deprives the director of the time and resources necessary to effectively monitor a company's objectives (Carrera, 2013; Falato, Kadyrzhananova & Lelet, 2014).

Generally, extant literature on multiple directorship and tax compliance reported a mixed results. Sution, Shamsudin, Sanusi and Hermawan (2017) examined corporate governance and tax compliance in Malaysia and found out that multiple directorship is the most significant internal control mechanism of corporate governance that influences tax compliance. Also, Lismontet *al.* (2018) suggests multiple directors' social network predicts tax management and lower the chance of being low-tax compliant. Kourdoumpalou (2016) noted that tax evasion is higher when the board members hold positions on other boards. Furthermore, Ribeiro and Colauto (2016) found a strong indications that board interlocking influences companies into manipulating earnings through income smoothing and tax accruals. All of these studies were carried out in other jurisdictions and only quantitative research design as against a mixed research method was used thereby neglecting behavioural aspect of the study. Also, the existing code does not specify the permissible number of boards on which a board member can serve, simultaneously (FRCN, 2018). Therefore, to resolve this thorny issue, the relevant research question is: What is the extent of the impact of multiple directorship on tax compliance of non-financial listed companies in Nigeria?

In order to answer the research question, the main objective of the study is to assess the impact of multiple directorship on tax compliance of non-financial listed firms in Nigeria. The specific objective is to ascertain the impact of multiple directorship on cash effective tax rate of non-financial listed firms in Nigeria. The specific objective is achieved through this hypothesis:
Ho: Multiple directorship does not have significant impact on tax compliance of non-financial listed companies in Nigeria.

2. Literature Review and Theory

2.1.1. Tax Compliance and Non-Compliance

Tax compliance is the willingness of tax payers to act within the spirit as well as the letter of the law and administration, without enforcement (Sapie1, Kaspillai & Eze, 2014). Failure to file accurate returns; underreporting of taxable income; overstating tax claims such as exemptions, expenses etc. and failing to make timely payment of tax liability is Tax non-compliance ((Alabede *et al.*, 2011).; (Alabede *et al.*, 2011; Sapie1 *et al.*, 2014). Tax noncompliance could be tax management, tax planning, tax sheltering, tax avoidance, tax evasion and tax aggressiveness (Tang & Firth, 2011). Tax proxies such as Cash Effective Tax Rate(ETR) is common in literature, however, CETR is a better measure of tax compliance because the numerator is not affected by tax accruals and eliminates the volatility in year level measures (Hanlon & Heitzman, 2010).

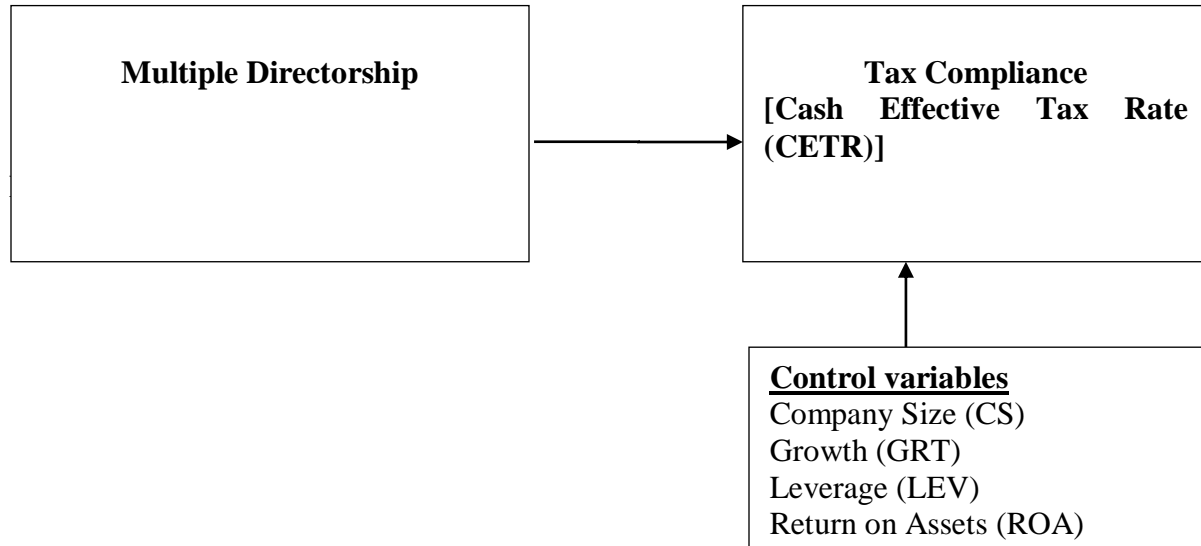
2.1.2. Multiple directors or Interlocking directors

These are outside directors of repute and constitute about 10 percent of board membership serving on more than one board (Hermalin & Weisbach, 2003). The 2018 Nigerian codeofcorporategovernance does notdiscriminateas to directorholding concurrentdirectorships,however,punctuated that concurrentserviceon toomany Boards may interfere withan individual'sability to dischargehisresponsibilities.The code

fails to specify the maximum permissible number of concurrent directorships on corporate boards. The study variables are conceptualized as shown in Figure 1 below:

Figure 1: Conceptual Framework

Independent Variable Dependent Variables



The Conceptual model shows that the independent variable is multiple directorships and the dependent variable is tax compliance as proxied by long run Cash Effective Tax Rate (CETR). A set of control variables was included in this study to allow for control of other specific effects on tax compliance. This includes company size, corporate performance, financial leverage and growth (Minnick & Noga, 2010). The conceptual framework shows that multiple directorship should have positive impact on cash effective tax rate and it is assumed that if that happens the tax revenue to the government should increase.

2.3. Multiple Directorship and Tax Compliance

Kang (2008) studied multiple directorship and spill over of reputational penalties between Companies in the context of financial and tax reporting fraud. Based on signalling and attribution theories, financial event study methodology was used. The logistic regression result shows a significant reputational penalties in 45(18.5%) of 244 companies with multiple directors in thirty Companies accused of financial and tax reporting frauds in the United States. In addition, Companies related to the accused companies are more likely to experience reputational penalties when the multiple directors hold audit or governance chair positions in them. However, the lower the likelihood when the companies have strong governance structure.

The study was based in a jurisdiction outside Nigeria and utilised only quantitative analytical research design and not a mixed research method which may affect the robustness of the empirical result. Sharma and Iselin (2012) examined the association between multiple-directorships and tenure of independent audit committee members and financial misstatements in the pre- and post-Sarbanes-Oxley (SOX) reform environment. Regulatory reforms following the accounting scandals at Enron and WorldCom substantially expanded the responsibilities and scrutiny of the audit committee. Consequently, amplify the reputational and litigation risks of the directors serving on



the committee. The empirical results show a significant positive association between financial misstatements and multiple-directorships in the post-SOX environment. This indicates that independent audit committee members serving on multiple boards may be stretched too thinly to effectively perform their monitoring responsibilities. The study recommends limits on multiple-directorships and director tenure. However, the study ignores the opinion of governance agents to ascertain the human behavioural aspect of the relationship between the variables in the study. Brown and Drake (2014) examined whether network ties explain variation in tax management, and how their relationship varies depending on the nature and context of those ties. The study posits that information on a range of tax-management strategies is shared among firms through their social network connections. Using board interlocks to proxy for these connections, it was observed that firms with greater board ties to low tax firms have lower cash ETRs themselves. Ties to low-tax firms are more influential when the local firm and its network partner are operationally and strategically similar and using the same auditor, as are ties created by executive directors. Overall, the results suggest that the influence of firms' network ties on their tax management behaviour depends on the character of those ties. However, the finding may not be robust enough due to the focus mainly on quantitative analytical design instead of balanced view using mixed research method used in this study.

However, Baccouche (2015) examined the relationship between multiple directorships of directors and their appointment to various board committees, based on a sample of 1044 observations from 89 non-financial French listed companies for 2009, using Poisson model to investigate the effect of the accumulation of outside directorships by a director on the number of board committees being served. The results indicate that, due to their reputation and expertise, directors holding multiple directorships are more prone to contribute maximally in decision making and control against discretionary accounting and tax accruals likely to affect the company negatively. However, this study was limited to qualitative analytical research, one year and jurisdiction outside Nigeria. In contrast, Kourdoumpalou (2016) examined the association between corporate governance practices and the extent of tax evasion in Greece. Data on corporate governances were collected from audited accounts of sampled public companies listed on Athens Stock Exchange during the period 2000-2004. Data on extent of tax evasion based on outcome of tax audit was obtained from 96 firms and for 225 fiscal years. The multiple regression result shows that tax evasion is higher when the board members hold positions on other boards. This indicates that individuals on multiple boards do so for personal gains by recording personal expenses in company's accounts, which are later rejected by the tax authority. However, the study may be weak due to restriction to quantitative analytical research design thereby ignoring the behavioural aspect of the study, which would have enhanced the robustness of the result. In support, Ribeiro and Colauto (2016) analysed the relationship between board interlocking and income smoothing in companies listed in the BM & Bovespa Index. Using a sample of 58 Brazilian companies on Bovespa index, the fixed effect regression with panel data shows strong indications that board interlocking influences companies into manipulating earnings through income smoothing and tax accruals, thus compromising the quality of the accounting information reported. Theoretically, the study provides the connection between resource dependence theory, the agency theory and board interlocking.

Huang (2017) investigated the relationship between board interlocks and corporate tax management, employing director structure and financial data from listed firms in Taiwan economics journal data base from 2013 to 2010 using 5821 firm-year observations as the final



sample. Permanent book tax difference and CETR as proxies for tax management. The study controls for fixed asset, debt, capital intensity, firm size and profitability and research and development. This study notes that the influence of board interlocks on tax management depends on whether the firm network is tied to low tax executive directors, low tax family members and low tax firms engaging the same Auditor. Low tax firm exhibit low CETR and high PBT. However, the multiple regression result not find a significant relationship between tax management and ties formed by outside directors to low-tax firms. This result may be limited due to short investigation period and quantitative research design. Nevertheless, Suffian, Shamsudin, Sanusi and Hermawan (2017) examined corporate governance and tax compliance in Malaysia. Corporate governance and tax compliance were proxied by CEO duality, multiple directorships, board independence, board size and effective tax rate (ETR), respectively. The data were collected from Datastream Thomson Reuters, while corporate governance data elements, used analysis of the annual reports for 2012 to 2014, focusing on the top 100 companies based on market capitalisation as at December 2014. A final sample of 227 companies was selected out of the 300 companies targeted based on data availability. The multiple regression results show that multiple directorship is the most significant internal control mechanism of corporate governance that influences tax compliance of Malaysian listed companies. A strong corporate governance was found to be a key factor to achieve tax compliance. Firm size and leverage were positive and significant, while capital intensity was positive and insignificant. The robustness of the result may be affected by the use of ETR subject to accounting accrual coupled with restriction to only quantitative research design and shorter investigation period.

Lismont et al. (2018) predicted tax management by means of multiple directors' social network analytics, based on constructed network of companies connected through shared board membership and applied logistic regression, decision trees, and random forests; to create five models, using either companies' characteristics, network characteristics or different combinations of both. They suggest that network effects significantly improves the predictive ability of tax management model. Impliedly, multiple board members exhibit specific knowledge which can be carried over across Companies and the higher the average tax rate of the companies a board member is connected to, the lower the chance of being low-tax and vice versa. Firm-specific variables, PP&E has a positive influence on the probability of being low-tax while EBITDA has a negative effect. Similarly, Huang and Wang (2020) examined the effect of CFO multiple directorship on financial reporting quality, using names and prior employment of executives and director of US public companies. The initial sample consists of 19,310 firm-year observations in the Risk Metrics database from 1996 to 2011. The study excluded 2,860 observations from the financial services and utility industries and also excluded 750 and 2,883 observations with insufficient data to calculate accounting quality measures and control variables, respectively. This results in a final sample of 12, 817 firm-year observations. The empirical result shows that high CFO network centrality is strongly associated with lower discretionary accounting and tax accruals and a lower likelihood of financial restatement or accounting and tax fraud. Also, companies with CFO central networks on other companies' boards employ more accounting conservatism. However, this study which was based on qualitative design alone was conducted outside Nigeria.

Empirical literatures on multiple directorships and tax compliance are scarce in Nigeria. Nevertheless, the 2018 Nigerian code of corporate governance does not discriminate as to directors holding concurrent directorships, however, punctuated that concurrent service on too many boards



may interfere with an individual's ability to discharge his responsibilities. Generally, besides, conflicting predictions on multiple directorship and earning/tax management, most of the prior studies were done outside Nigeria, with major focus on earning management and financial reporting quality and not directly on tax compliance. In addition, mixed research method that would have enhanced the robustness of the empirical results was not explored. Hence, this study fills this gap.

2.4. Theoretical review for the study

The stakeholder theory was developed by Freeman in 1984, emphasising that managers should be accountable to all stakeholders, and not only shareholders. Freeman (1984) asserts that stakeholders are, "any group or individuals that can affect or are affected by the achievement of the company's objective". The stakeholder theory assumes that; (I) companies should be operated not only for the financial benefit of the owners, but also for the interests of relevant stakeholders in the society (Chen & Roberts, 2010). (ii) Executive directors should be accountable to both the shareholders and other stakeholders (employees, government, local community, customers and suppliers) (iii). Business is connected with notions of morality and corporate social responsibility (Westphal & Zajac, 2013).

The stakeholder theory implies that the board of directors should judge whether the interests of all stakeholders are being justly balanced and the board should compose of directors with the right background, experience, diversity, reputation and expertise for effectiveness of their service function and adequate representation of shareholders' interest (Kiel & Nicholson, 2003). The board serves as the link between the stakeholders and the company and its paramount responsibility is the positive performance of the company in creating value for all its stakeholders.

However, Jensen (2001) criticises the stakeholders theory for assuming a single-valued objective (gains that accrue to a company's constituencies) and equally saddling managers with the responsibility of being accountable to several stakeholders without specific guidelines for solving problems associated with conflict of interests. He asserts that the performance of a company should not be measured only by gains to its stakeholders, but by other key issues such as flow of information from top management to lower ranks, inter-personal relations and working environment. Nevertheless, stakeholder theory provides the theoretical foundation that makes managers to be accountable to all stakeholders (Chen & Roberts, 2010). Stakeholders' theory has been used in several previous studies (such as Nwanji & Howell, 2007; Ntim, Opong & Danbolt, 2012; Lismont *et al*, 2018) to assess the effect of corporate governance mechanism on tax management. Therefore, the stakeholder's theory is a useful point of reference in discussing the research outcomes.

3. Methodology

Survey and correlational research designs were used for this study. The mixed method research framework coupled with pragmatism philosophical paradigm was adopted for this study due to the nature of the research problem. Mixed-methods research uses two levels of integration between quantitative and qualitative data: the independent level and the interactive level. The explanatory sequential design suggested by Creswell and Clark (2011) was employed in this study. This involves first exploring generalised least square regression for the quantitative analysis of secondary data from audited financial statements of non-financial listed companies in Nigeria and subsequently, validated the outcome with the result of interviews conducted on 17 governance



agents (Board of Directors; Key Executive Management; Partners of the big four audit companies; Academic Scholars; Regulators; Tax Consultants; Shareholders) using a discourse analysis approach.

The study population was one hundred and sixteen (116) non-financial sector listed companies on Nigeria Stock Exchange (NSE) as at 3rd August 2019. The selected sector accounts for more than 95% of Nigerian GDP and revenue to the government (Chete, Adeoti, Adeyinka & Ogundele, 2016). A census approach was adopted for this study due to the small size of the population of the listed companies, but excluded companies with incomplete data to arrive at a final balanced panel data sample of 68 listed companies from ten sectors of the economy (Agriculture, Conglomerate, Construction and Real Estate, Consumer Good, Health Car, Information and Communication, Industrial, Natural Resources, Oil and Gas and Services) from 2004 to 2018.

3.1 Model specification and operationalization of variables

3.1.1 Regression model

Based on conceptual model in Fig.1, this study adapted and modified the panel least econometric model, from the study of Zemzem and Ftouhi (2013), controlling for year and industry to test the hypotheses on the impact of multiple directorship on tax compliance of Nigerian non-financial listed companies. However, CETR as against effective interest rate used in prior studies, was used as the proxy for tax compliance because of its superiority and it is not affected by accounting accruals. Therefore, the CETR model for this study is specified as:

$$CETR_{it} = \alpha_0 + \beta_1 MD_{it} + \rho_i Z_{it} + \varepsilon_{it}$$

The variables are defined as: α_0 is the model intercept. $\beta_1 - \beta_5$, the coefficients of the parameters. Z is the proxy for company characteristics and ε_{it} is the error term, with i denoting companies and t , time period. A company is tax non-compliant in Nigeria, when its CETR is less than corporate income tax rate of 30% in an accounting period. The apriori is such that: $\beta_1 MD > 0$. Meaning a positive relationship is expected between explanatory variables $\beta_1 MD$ and the dependent variable. The variables for this study are defined in Table 1.

Table 1: Description of Variables

Variable	Abbreviation	Measurement	Source
Dependent			
Tax Compliance measured by Cash Effective Tax Rate	CETR	Cash tax paid/ pre-tax income	Dyreng (2008); Minnick and Noga (2010); Zemzem & Ftouhi, (2013) Lismont <i>et al</i> (2018).
Independent			
Multiple Directorship	MD	% of directors who serve more than one board to total number of directors	Baccouchi (2015); Riberiro Colanto(2016);Kourdoupalou(2016) Suffian <i>et al.</i> (2017)
Control			
Performance	ROA	Operating income / Total assets	Dyreng <i>et al.</i> (2008); Minnick and Noga(2010); Zemzem and Ftouhi (2013)
Company Size	CS	Natural log of the book value total assets	Lismont et al.(2018); Huang (2017)



Leverage	LR	Total debt less cash & bank balance/ book value of equity	Lismont et al.(2018); Huang (2017)
Growth	GRT	Book value of equity / Market value of equity	Dyrenge <i>et al.</i> (2008); Minnick and Noga(2010); Huang (2017)

4. Results and Discussions

4.1. Descriptive statistics

Table 2, shows that mean values of the variables are between the minimum and the maximum values. This implies that the variables did not react outrageously from the equilibrium due to the companies' performances. The mean of Cash Effective Tax Rate (CETR) was 22.93%. This indicates that listed companies on the average paid below 30% of company income tax rate in Nigeria. This agrees with the findings of Suffian *et al.* (2017).

Table 2: Descriptive Statistics Results

Variable	N	Mean	Min	Max	CV	Skewness	Kurtosis	Pr(Skewness)	Pr(Kurtosis)	Joint AdjCh (2)	Joint Pr>Chi2
CETR	1023	0.2293	-46.254	399.747	23.856	30.876	978.415	0.000	0.000		
MD	1023	0.271	0	1.333	0.604	0.677	1.665	0.000	0.000		0.000
ROA	1020	0.055	-1.307	3.103	4.090	2.704	58.599	0.000	0.000		0.000
CS	1020	15.697	9.831	21.298	0.127	0.005	3.666	0.943	0.012	6.36	0.042
LR	1020	-1.260	-2250.22	674.471	-78.176	-18.379	411.475	0.000	0.000		
GRT	1020	22.865	-24.071	3665.01	7.129	14.255	221.763	0.000	0.000		

Source: Author's compilation

The result shows that CETR, MD, GRT, CS and ROA are positively skewed as they have a long tail to the right, while, LR was negatively skewed, as it has a long-tail to the left. However, the distribution slope of majority of the variables (CETR, MD, GRT, LR and ROA) are leptokurtic in nature as their values are greater than 3, hence, their peakedness were far from the centre. CS distribution value was less than 3, implying that the distribution is platykurtic in nature. The result shows that only company size (CS) had a normal distribution matching with its skewness and kurtosis of all the variables and a probability value greater than 5% significance level.

4.2. Correlation Test

Table 3 provides the result on the degree of correlation between the independent variables. According to Kennedy (2008), the magnitude of the correlation coefficient should be less than 0.8 to eschew multicollinearity's problems. From the Table 3, all the correlation coefficients between the explanatory variables were maximum of 0.2. Generally, it can be concluded from the result that the variables included in the model were free of multicollinearity's problem.

Table 3: Correlation Test Result

	CETR	MD	ROA	CS	LR	GRT	OC
CETR	1						
MD	-0.0206	1					



	CETR	MD	ROA	CS	LR	GRT	OC
<i>Prob.</i>	<i>0.5094</i>						
ROA	-0.0032	-0.0059	1				
<i>Prob.</i>	<i>0.9196</i>	<i>0.8506</i>					
CS	0.0769*	0.1348*	0.1897*	1			
<i>Prob.</i>	<i>0.0141</i>	<i>0.0000</i>	<i>0.0000</i>				
LR	0.0173	0.0056	0.0084	0.0854*	1		
<i>Prob.</i>	<i>0.5815</i>	<i>0.858</i>	<i>0.7898</i>	<i>0.0064</i>			
GRT	0.0068	-0.0412	-0.0212	-0.0337	0.0028	1	
<i>Prob.</i>	<i>0.8273</i>	<i>0.1883</i>	<i>0.4997</i>	<i>0.2822</i>	<i>0.9301</i>		

The values in italics are the statistical probability values. * = implies 5% significance level

To further confirm this problem, Variance Inflation Factor (V.I.F) as presented in Table 3 was carried out. Multicollinearity exists whenever the VIF is greater or equal to 10. However, if the tolerance level is below 0.1, then there is a problem of multicollinearity among the variables.

Table 4: Multicollinearity Test Results Output

Variable	VIF	Tolerance
Multiple Directorship (MD)	1.13	0.882395
Company Size (CS)	1.14	0.875587
Growth Intensity Capital (GRT)	1.03	0.972886
Leverage (LR)	1.06	0.944581
Return on Asset (Performance) (ROA)	1.69	0.592065
Mean VIF	1.21	

The results presented in Table 4 shows that all the VIF fall within the threshold for the study, hence, the conclusion is that no problem of multicollinearity among the data set used in this study.

4.3. Regression Results

Due to the failure of the data collected to satisfy the Classical Linear Regression Model (CLRM) assumption due to the violation of some of the assumptions of Ordinary Least Square (OLS), Cross sectional dependence, presence of heteroscedasticity and co-integration, the OLS model was considered inefficient for drawing conclusions on impact of multiple directorship on tax compliance of non-financial listed companies in Nigeria. In view of this, a Generalized Least Square (GLS) model was adopted for this study to correct the violations. The regression results are presented as follows:

4.3.1 GLS Multivariate Model of Multiple Directorships on Tax Compliance

The equation generated from the model is as follows:

$CETR_{it} = \beta_0 + MD_{Sit} + CS_{Sit} + GRT_{Sit} + LR_{Sit} + ROA_{Sit}$ is fitted and given next.

$$= -7.38199 + 2.494624MD_{Sit} + .5507893CS_{Sit} + .0006147GRT_{Sit} + .0006147LR_{Sit} - 1.106121ROA_{Sit}$$



Table 5: Coefficient: Generalised Least Square

CETR	Coefficient	Std. Error	Z	P>z
MD	2.494624	2.425595	1.03	0.304
CI	0.5507893	0.2029713	2.71	0.007
GRT	0.0006147	0.054227	0.25	0.800
CS	0.5507893	0.2029713	2.71	0.007
LR	0.0033658	0.0041143	0.82	0.413
ROA	-1.106121	0.756936	-0.63	0.529
CONSTANT	-7.38199	3.17269	-2.33	0.020
WALD CHI2(10)	8.19			
Prob > chi2	0.2244			

Note: MD=Multiple Directorship, CETR=Cash Effective Tax Rate

Table 5 shows that the Wald Chi-square statistic p-value was found to be 0.2244 for multiple directorships which was greater than the alpha value =0.05. This implies that the impact of MD on CETR was statistically insignificant. The relationship between control variables, GRT, LR, ROA and CETR was insignificant as $p > 0$. However, CS has a significant impact on CETR, as $p < 0$. One percentage increase in CI increases CETR by 0.5%, whereas, one unit increase in ROA decreases CETR by 1.10 units.

4.3.2 Hypothesis Testing

H_{01} : There is no significant impact of multiple directorship on tax compliance of listed companies in Nigeria.

Based on the objective of the study, the hypothesis was tested using GLS model to empirically determine the impact of multiple directorships on tax compliance of listed companies in Nigeria. The result from the GLS model in Table 5 shows that the Wald Chi-square statistic p-value was found to be 0.2244 for multiple directorships which was greater than the alpha value =0.05. This implies that the GLS model fitted is generally insignificant and that the estimated coefficients of the explanatory variables are jointly equal to zero. This conclusion agrees with the finding of Suffian *et al* (2017), who reported a positive association, but contrary to the empirical finding of Ribeiro and Colaito (2016), who reported a negative association. The relationship between company characteristics, GRT, LR, ROA and CETR was insignificant as $p > 0$. However, CS has a significant impact on CETR, as $p < 0$. One percent of CI increases CETR by 0.5%, whereas, one unit increase in ROA decreases CETR by 1.10 units. This agrees with the finding Suffian *et al.* (2017), but contradicts Huang (2017).

4.4. Qualitative Analysis

4.4.1. Multiple Directorship and Corporate Tax Compliance

There has been public outcry and concerns raised over the years in the business and academia on the effectiveness of multiple directorship on corporate governance. It is a common practice in most developing economies to have a board member serving on many boards at the same time. But, how it can influence negatively or positively on tax compliance is yet to be mentioned in literature.

When asked about the ideal percentage of multiple directorship that should be held by a director, most of the participants cited an ideal scenario in developed economies like US and UK where two



was the ideal and three is maximum. Although they cited that the need for diffusion of experience may necessitate a higher number in Nigeria but even at that, there should still be a cap to it.

Most of the “Quality hypothesis driven (QH-D) participants agreed that multiple directors of Nigerian listed companies bring their experience to bare in achieving tax compliance to a great extent. They posited that the unique experience and exposures of being on other corporate boards is a major asset. As submitted by one of the “quality hypothesis-reasoning driven” participants:

“I believe that experience is not something that is bought or faked, but has to be earned and built over the years. So, I think, to a great extent, multiple directors of listed companies in Nigeria by virtue of their exposure and networks benefit by helping to import required resources, suppliers and customers to the company. These directors would have more experience and knowledge about the industry; thus they are capable of making better strategic decisions ranging from tax compliance to detecting earning management”

Also, another word closely used by QH-D participants was “reputation and integrity”, used interchangeably by different participants. Some stated that multiple directors are intelligent, highly reputed, with a flawless profile and well renowned. Likewise, the QH-D participants also submitted that loyalty and multiple engagements are necessarily in conflict with the interest of the shareholders and other stakeholders. The QH-D participants also perceived multiple directorship as an instrument for the company to engage external skills in either building or fortifying an existing proficiency in improving board activities towards tax compliance.

However, the business hypothesis-driven participants (BH-D), agreed with the value that multiple directorship can bring to the table but observed that in reality, the accrued benefits can be negated when directors hold too many directorships to the extent of failing to entirely discharge and diligently attend to board functions described as “monitoring”, “supervision”, “evaluation”, and “informed/strategic decision making” as some of the most important functions of a corporate board. All of these functions require quality time, accessibility, availability, and commitment which might be found wanting if a director has been spread thin. Inferring from the responses, there were mixed reactions to the contribution of multiple directorships to tax compliance of listed companies in Nigeria.

Conclusion and Recommendations

The 2018 code fails to regulate the maximum number of boards a board member can serve as a director simultaneously. This therefore gives latitude to corporate directors to serve on many corporate boards, thereby leaving the faith of the companies in the hand of few directors that are too busy, but only have little positive consideration for other stakeholders like the government, the recipient of corporate tax.

The empirical result concludes that multiple directorship has positive but insignificant impact on tax compliance of non-financial listed companies in Nigeria. This might be due to the fact that directors are too busy to participate optimally in decisions against tax aggressive actions. However, the outcome from the semi structured interview observes that when board members serve on many boards simultaneously, most of the directors in such a class are distracted by the responsibilities and hence, they do not take due diligence towards checking the level of tax compliance of the companies they direct. The implication of the finding is that when a director serves on too many



board there may be laxity in effective monitoring and controlling of management against tax non-compliance, which may result in lower CETR.

Therefore, the study recommends that Financial Reporting Council of Nigeria (FRCN) should promote a policy that could regulate the maximum number of boards on which a director can serve at the same to maximum of three in line with international practice. Overall, the study provides unique insights into the impact of multiple directorship on tax compliance of listed companies in Nigeria exploiting mixed research method.

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