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OWNERSHIPS IDENTITY AND TAX EVASION OF BANKING INSTITUTIONS: AN EMPIRICAL PERSPECTIVE OF EMERGING ECONOMY

BY

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Abstract

This study interrogates the effect of ownership structures on tax evasion in Nigerian deposit money banks, focusing on the effects of block ownership, board ownership, institutional ownership, government ownership, and foreign ownership. Utilizing an ex-post facto research design, we collected and analyzed annual time series data from 2012 to 2022 based on bank financial reports. Findings reveal that block board ownership and block institutional ownership exert a positive and significant influence on tax evasion, suggesting that concentrated ownership within these categories may heighten incentives or opportunities for tax evasion. Conversely, block government ownership and block foreign ownership exhibit a negative but statistically non-significant effect, indicating that these ownership types may have a moderating influence on tax evasion, though not strongly enough to achieve significance within this sample. The study underscores the role of ownership structure in corporate governance and tax practices, highlighting policy implications for enhancing transparency and reducing tax evasion in the Nigerian banking sector.

Keywords: *Block ownership. Tax evasion, deposit money banks, opportunistic behavior, aggressive tax planning*

1.0 Introduction

One of the concerned militating against the stability and development of Nigeria economy is the issue of tax evasion. The act affects the capacity of governments to finance public services, and as such it shifts the tax burden to compliant taxpayers, thus distorting income distribution and social equity. The situation is more unanimous in developing nation because of several tax loopholes and weak policy framework. Hence, tax evasion is obviously the illegal act of not paying taxes owed, which includes the practice of underreporting income or hiding assets offshore (Ayodele, 2023; Aladejebi, 2020). It is the various acts carried out by person(s) or business entity, (foreign, family, institutional or public own) to minimize taxable profits which could be illegal with the aim of maximizing business earnings in a State. Paradoxically managers in their views, engaged in this opportunistic behaviour with the intention to maximize shareholders' value, given that wealth is transfer from the government to shareholders. The essence most time is to minimize the incurred costs of the business/assets because tax in this case is perceived to have inverse relationship with profitability as argued by the traditional debaters. Therefore, the issue of tax evasion has been a global phenomenon that started from the inception of tax itself (Salaudeen, & Ejeh, 2018; Uadiale, Fagbemi, & Ogunleye, 2010). This is why the backdrop of businesses in various nations, is characterized with actions towards taxes minimization through aggressive actions, especially the corporate ones.

Furthermore, banks that employ various complicated tax avoidance/evasion strategies require secrecy from being detected effortlessly (Desai & Dharmapala, 2008). In that circumstance, managerial (agents) roles and responsibilities becomes undoubtedly crucial. However, such dependency on the manager can propel the agency conflict in many banks. Hence, planning for tax is an important decision for managers because it can be use to attract private investors and increase earnings or manipulate it toward some specific goals (Ayodele, 2023; OECD. 2021; Desai & Dharmapala, 2006). The benefits of tax aggressiveness include greater tax savings, which is the most obvious benefit and then rent extraction which can be disguised under the cover of tax aggressive activities (Richardson, Taylor & Lanis, 2013; Chen, Chen,

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Cheng & Shelvin 2010). Hence, the ownership identity which is how individuals or entities perceive their relationship to their (owned) assets, plays a crucial role in shaping tax behavior (Arowosaiye & Adeoye, 2018). Its link to tax evasion reflects broader issues in corporate governance (Fasina & Olatunji, 2027; Ayokunle et al, 2023; David, 2010). In Nigeria, complex ownership structures often facilitate tax evasion. Many businesses operate under complex arrangements that obscure the true identity of owners, enabling tax avoidance strategies. This situation is exacerbated by a weak regulatory framework and inadequate enforcement mechanisms, which foster a culture of non-compliance. Research indicates that a lack of transparency in ownership identity allows individuals and corporations to evade taxes, resulting in substantial revenue losses for the government (Ogbonna & Appah, 2016; Ayodele, 2023).

However, there are various obvious risks for tax evasion practitioners, such as subjecting the bank to sanctions and fines by the tax authorities. In addition, banks that have the tendency not to pay taxes fairly can destroy their reputation as responsible corporations, even though they carry out ethical, social, voluntary and other philanthropic activities (Sarhan, 2024; Khan et al., 2017). For management, there is a risk of reputational damage in the future (Kovermann and Wendt, 2019). Thus, management tends to only avoid taxes if it is in line with shareholder interests. Management is the party who decides the company's involvement in tax evasion or avoidance (Kovermann and Wendt, 2019). Management decisions in important matters such as tax avoidance are very likely to be influenced by the majority shareholder. Where they have the most votes and are also the parties who will gain the biggest profits or losses from the company. So that the intervention of company owners (shareholders) will be an important consideration in making company business decisions.

Drawing from the above, various studies have explored some specific types of ownerships strategic decisions (Miller et al., 2010) as well as its effect on different criterion areas of firms (Ayodele, 2023; Bradshaw, Liao & Ma, 2014; Landry, Deslandes & Fortin, 2013; Chan, Mo & Zhou, 2013; Kang & Sørensen, 1999) Indicating that the emerging literature of ownership identity or structure construct in relation with tax evasion, lacks scholarships and have not being sufficiently interrogated in Nigeria palace, especially looking at it from the various types of ownership pursuing different goals (David et al., 2010). This paper therefore, tends to address this challenge by examining how the various Nigerian bank ownerships associate with tax evasion. We specifically looked at the role of: block institutional ownership, block government ownership, board/managerial ownership, and foreign ownership, adapted from the works of: (Krishna, 2022; Hautz, Mayer, & Stadler, 2013).

2.0 Literature Review

2.1 Concept of Ownership Identity

Ownership identity, which encompasses both individual and collective ownership perceptions, plays a crucial role in determining how resources and assets are managed, how they relate to the assets and ultimately how they influence organizational and societal outcomes. It simply referred to the true owners of an asset/property which basically remove the veil for easy naming, recognition and classification of person(s) who have possession/controlling rights of business assets. Understanding ownership identity is essential because it informs behavior, decision-making, and the overall effectiveness of various corporate governance structures. One of the key components of ownership identity is the psychological sense of ownership, which shapes individuals' attachment and responsibility towards owned assets. This sense of ownership can drive proactivity, accountability, and investment of personal energy into maintaining or enhancing the owned object (Van Dyne & Pierce, 2021; Li, 2014).

Additionally, group identity and ownership are intertwined, particularly in organizational and intergroup contexts. When people identify strongly with a group, their perception of ownership extends to collective assets, influencing how resources are shared, defended, or even contested. The sense of "we own this" can create cohesion and strengthen group identity, fostering positive behaviors like collaboration and shared responsibility. However, it can also lead to exclusionary practices if groups perceive external threats to their collective ownership (Haslam, Jetten, Postmes, & Haslam, 2019). The broader implications of ownership identity are seen in both personal and societal contexts. On a personal level, it affects self-concept and individual well-being, as ownership is linked to self-identity and autonomy or right. At a societal level, ownership identity influences social norms, property rights, and economic behavior, impacting how societies allocate resources and respond to inequalities. Thus, understanding ownership identity is critical for designing policies and management practices that harness its positive effects while mitigating potential conflicts arising from contested ownership (Hamilton, 2015).

Therefore, ownership identity or structure consists of several classes of shareholders and they could be identified by their unique characteristics, culture, ethics or the associated group. Therefore, based on this nature of identification using group or association, the ownership types that we consider and believe to have influence on tax evasion are: public ownership, managerial ownership, institutional ownership and foreign ownership (Richardson et al., 2016). Therefore, when a manager participates in the capital structure of the firm, they are being both a manager and a shareholder, which is known as managerial ownership. Since the agent will operate as the principle simultaneously, the manager's percentage ownership of the business will affect how closely the agent and principle share goals. This will cause the agent to make more thoughtful judgments. Hence:

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Institutional ownership is the proportion of shares owned by institutions: how many shares are owned by banks, insurance firms, investment companies, or other institutions is known as institutional ownership. The largest governance function in businesses, which tends to affect management decisions, is played by institutional ownership. It is anticipated that the institution's ownership will be able to limit management activities, hence lowering the likelihood of agency issues. A foreign corporation, person, or other legal entity that owns a specific proportion of common stock in a business is known as foreign ownership. Increasing foreign investment is a positive step in the direction of greater economic growth in the country (Annuar et al., 2014).

Foreign ownership on the other hand, are foreign investors who invest and owns shares in order to optimize their returns, expand their investments worldwide, particularly in emerging nations and those with low tax rates. Nonetheless, foreign investment is a desirable source of capital and a driver of business and economic expansion in developing nations (Alkurdi & Mardini, 2020; Velte, 2023). For this reason, emerging nations provide international investors with easy access to resources, a cheap labor market, and advantageous tax laws. Foreign investors have negotiating leverage in a variety of company issues, particularly in tax planning, thanks to these advantageous economic conditions.

Public ownership is described as the percentage of a firm that is owned by general shareholders. Since their holdings are ration among many owners, ordinary shareholders have less negotiating influence over corporate decisions than institutional shareholders. But general shareholders want to maximize their financial interests just like institutional investors do. This perception holds that this class of shareholders would appreciate any company choices that maximize their return, such as tax avoidance or evasion tactics (Drake et al., 2019). However, significant tax evasion raises the company's reputational costs, which in turn affects the share price (Hanlon & Slemrod, 2009). Consequently, the sanest investor will appreciate the well-rounded tax evasion tactics. So it is argued that general shareholders will corroborate the tax planning strategies as long as the cost of such strategies would not overweight the benefits.

2.1.2 Tax Evasion Concept

When company management's carry out the acts of reducing or avoiding the tax they are suppose to pay by illegitimate means is referred to tax evasion (Khelil et al., 2023; Gaaya et al., 2017). It is an illegal practice or strategy that corporations adopt to curtail their tax burden (Benkraiem et al., 2024). It is the exploitation of tax regulations' weaknesses in order to minimize or avoid the firm's tax liabilities. According to (Duhoon et al., 2023), corporate tax evasion activities are opportunistic behaviour result of tax loopholes from regulatory bodies of the government. According to Ernst and Young, (2014) in Duhoon et al., (2023) there are diverse techniques that companies used in minimizing or evading tax obligations, such as immensely investing on fixed assets, increase allowable expenses, shifting earnings to nations with tax low rates or taxes free countries, capitalization reduction etc. this imply that tax evasion and avoidance is deduced as tax savings through tactic for utilizing tax provisions that are carried out illegally. It is an important strategy of management decision making due to the risk tendency that the bank's tax practices could be challenged by tax authorities and has effect on the bank's reputation or fines (Benkraiem et al., 2024; Armstrong et al., 2015).

Generally, investors and owners of capital will normally be more interested in companies that comply with rules so as to have good reputation. By so doing, they try to build legitimacy in society through compliance with standards set by policy makers. Tax evasion is a significant concern for both policymakers and economists due to its impact on government revenue, economic stability, and social norms. Personal norms, which are internalized standards of behavior, play a critical role in shaping one's stance on tax compliance and are relatively stable over time (Ying, 2015; Uadiale, Fagbemi, & Ogunleye, 2010; Shackelford, & Shevlin, 2001)

2.1.3 Ownership Identity and Tax Evasion

Complex ownership arrangements, such as the use of shell companies and trusts, can obscure beneficial ownership, making it easier for individuals and corporations to evade taxes. Zucman (2019) illustrates how such opacity facilitates tax avoidance strategies, resulting in significant revenue losses for governments. In Nigeria, complex ownership structures often facilitate tax evasion. Many businesses operate under intricate arrangements that obscure the true identity of owners, enabling tax avoidance strategies. This situation is exacerbated by a weak regulatory framework and inadequate enforcement mechanisms, which foster a culture of non-compliance. Research indicates that a lack of transparency in ownership identity allows individuals and corporations to evade taxes, resulting in substantial revenue losses for the government (Riquen, Salhi & Jarboui, 2021; Richardson, Taylor & Lanis, 2013).

To combat tax evasion, Nigeria's approach must encompass not only the enforcement of beneficial ownership disclosures but also broader measures to enhance public trust in government institutions. This involves improving the perceived efficiency and fairness of tax systems, thereby fostering a culture of compliance among taxpayers. Addressing the psychological and social factors influencing tax behaviors is crucial for reducing tax evasion in Nigeria and achieving sustainable economic growth. In many jurisdictions, including developing countries, ambiguous ownership identities facilitate tax evasion (Van Dyne & Pierce, 2021). For instance, corporations often employ intricate ownership schemes to hide the identities of actual owners, complicating the tax authorities' ability to enforce compliance. The lack of transparency can foster an environment where evasion is normalized, leading to substantial revenue losses for governments (Zucman, 2019). This dynamic highlights the necessity for regulatory

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frameworks that promote beneficial ownership disclosure, thereby enhancing accountability and reducing tax evasion. Moreover, studies in various contexts suggest that enhancing ownership transparency can serve as an effective tool in combating tax evasion.

2.2 Theory and Hypothesis Development

Theoretical frameworks surrounding ownership identity and tax evasion can be perceive among organizations, family, board/managerial, foreign and public/government ownership. It encompasses both the psychological aspects of ownership, which drive personal accountability, and structural dimensions relating to how ownership is viewed and represented legally. Psychological ownership hypothesis therefore refers to the deep emotional connection individuals feel towards their possessions, influencing their behaviors and attitudes. Research indicates that when individuals perceive a strong sense of ownership over assets, they are more likely to comply with associated responsibilities, including tax obligations. This sense of ownership fosters a commitment to maintaining and enhancing the value of those assets, which includes fulfilling tax duties (Van Dyne & Pierce, 2021; Duffy et al., 2018; Pierce et al., 2015). Conversely, when ownership is perceived as ambiguous or indirect, as is often the case in complex corporate structures, individuals may feel less accountable, leading to higher rates of tax evasion (Slemrod & Yitzhaki, 2020).

Social identity theory posits that individuals derive part of their self-concept from their group memberships. This theory can be applied to ownership identity, where belonging to a group (e.g., a corporation or a community) can influence attitudes toward compliance. When group norms emphasize accountability and ethical behavior, members are more likely to comply with tax obligations. Conversely, if the prevailing attitude within the group is one of evasion or non-compliance, individuals may feel social pressure to conform to these norms, leading to increased tax evasion (Haslam et al., 2019). From a structural perspective, the legal and regulatory frameworks surrounding ownership identity significantly impact tax compliance. In many jurisdictions, opaque ownership structures—such as trusts and shell companies—can obscure the true identity of owners, making it easier to evade taxes (Zucman, 2019). The implementation of beneficial ownership registries has emerged as a critical tool in combating tax evasion by increasing transparency and accountability. Countries that have adopted such measures have reported enhanced tax compliance and reduced evasion rates (Ayodele, 2023; Bennett, & Schmid, 2020; Aiyedun & Adeyemi, 2020).

Hamza, (2023) explores the nexus of ownership structure and tax aggressiveness as well as the moderating effect of audit quality. The study employed annual time series data from (2009–2020) of firms listed in Jordanian "Amman Stock Exchange". The study used descriptive statistics, correlation and regression model to evaluate the various tax avoidance variables (cash flow effective tax rate and effective tax rate). The findings therefore, indicate that family and managerial ownership lead to "exacerbating tax avoidance activities". Despite this, institutional and board ownership have a negative effect on tax evasion, as evidenced by their favorable effects on ETR and CFETR. An important moderator of the ownership structure–tax avoidance interactions is audit quality. Furthermore, the data show that audit firm size is not only a meaningless term; rather, it helps to limit and lessen tax aggression.

Hassan, Masum, and Sarkar, (2022) studied the effect of ownership structure on corporate tax avoidance of listed companies in Bangladesh. The cross-sectional study sampled 77 firms listed on "Dhaka Stock Exchange". The observed ownership structures are: board ownership, institutional ownership, public ownership and foreign ownership. The study used descriptive statistics, correlation test and OLS model to analyze the variables. The findings revealed that public ownership and board ownership have substantial correlation with tax avoidance, while institutional ownership and foreign ownership have non-significant association with the dependent variable. The study therefore concludes that firms with high board ownership and public ownership tend to avoid tax in Bangladesh.

Salaudeen and Ejeh (2018) examined the relationship between ownership structure and tax avoidance of listed industrial firms in Nigeria. The study employed annual time series data of 40 non-financial firms spanning from 2010 to 2014. They selected firm size, managerial ownership, leverage, return on assets and ownership concentration as the independent variables, while the dependent variable was income effective tax proxied as tax aggressiveness. The fixed effect model of regression was adopted for the evaluation. Therefore, the study concludes that "ownership concentration" has a positive non-significant relationship with tax aggressiveness. Managerial ownership and leverage on the other hand, have negative significant effect on the dependent variable. They concluded that it is only managerial ownership as proxy of ownership structure can predict tax aggressive of a firm.

Oyeleke et al. (2016) used panel data from 2012–2014, to explores the connection between gender diversity, board of directors and tax aggressiveness of banks listed on the Nigerian Stock Exchange (NSE). The conclusion indicates that there is a positive and non-significant correlation between tax aggression and female directors, even after adjusting for business characteristics and governance systems. Furthermore, the study reveals a substantial correlation between the lower level of tax aggression and the board size in relation to female directors.

Kourdoumpalou (2016) investigated the relationship between corporate governance standards and the degree of tax evasion for Greek listed firms operating in an accounting system with a high degree of book-tax conformance. The study's sample comprises publicly traded firms that were listed between 2000 and 2004 on the Athens Stock Exchange. Based on univariate

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analysis, the findings indicate that when the company's owner simultaneously serves as the board chairman, there is less tax avoidance. Additionally, a significant inverse relationship has been documented between tax avoidance and the proportion of shares owned by board members and the owner and their family. In a similar spirit,

In the light of the above theories and empirical evidence, there is a dearth of scholarships linking between ownership identity and tax evasion in Nigeria. Hence the hypotheses of this study are stated in null form:

$H0_1$: Managerial ownership has no significant influence on tax evasion in Nigerian banks.

$H0_2$: Institutional ownership has no significant influence on tax evasion in Nigerian banks.

$H0_3$: Public ownership has no significant influence on tax evasion in Nigerian banks.

$H0_4$: Foreign ownership has no significant influence on tax evasion in Nigerian banks.

4. Data and Methodology

The study applied the annual accounting reports of twenty one (19) deposit money banks in Nigeria from 2012-2022 to achieve her objective. The survey sampling technique was used to select the banks based on data availability and relevance to the nature of the study. And the express identification of ownership class or group. Hence, the research "hypotheses were analyzed using descriptive statistics and inferential statistics, specifically, panel data regression technique" (Gujuratti & Sangeetha, 2008). Following extant literature, this study measures ownership identity and banks tax evasion by selecting: Block Institutional Ownership (BIO), Block Government Ownership (BGO); Board/Managerial Ownership (BMO); Foreign Parent Ownership (FPO) as proxies for ownership identity, while Tax Gap (TG) is used as proxy to measure tax evasion (Chen et al., 2010; Hanlon & Heitzman, 2010).

4.1 Specifications of Model

To statistical technique that can measure the nexus of variables for the purpose of future values prediction is use to analyzed the data. The model is expressed as:

TGit=F (BMOit, BGOit, BIOit, FPOit, Uit)……………………………………… (1)

This can be written in explicit form as:

$TGit= \beta_0 + \beta_1 BMOit, + \beta_2 BGOit, + \beta_3 BIOit, + \beta_4 FPOit, + Uit$………………………… (2)

where:

TG = Tax Gap. (This is measured by Income Tax Expenses divide by Profit before Tax multiply by 100) less ((Income Tax Paid divide by Profit before Tax) multiply by 100).

BMO = Board/Managerial Ownership. This is derive by the (Board Members Shares in time divided by Number of Ordinary Shares in time) multiply by 100.

BIO = Block Institutional Ownership. This is express as (Block Institutional Shares divided by Numbers of Ordinary Shares) multiply by100.

BGO = Block Government Ownership. This is generated by (Block Government Shares divided by Numbers of Ordinary Shares) multiply by 100.

FPO = Foreign Parent Ownership. This is measure as the Foreign Parent Ownership

β = Coefficient of parameter
it = Time coefficient
μ=Error term

Decision Rule:
To accept or reject the null or alternate hypothesis is guided by the by the following decision criteria:

i. Accept H0 and reject H1 IF f-statistics (prob) ≥0.05
OR
ii. Reject H0 and accept H1 IF t-statistics (prob)≤ 0.05

A priori specification
The apriori expectations of the model coefficient are: $\beta 1>0$, $\beta 2>0$ $\beta 3<0$, $\beta 4<0$.

5. Data Analysis and Discussion of Findings

Table 1 Summarized Descriptive Statistics

	TG	BMO	BGO	BIO	FPO
Mean	-21.42544	8.781361	2.275000	31.83333	0.216667
Median	-23.92220	1.604048	0.000000	27.50000	0.000000
Maximum	94.68962	79.96052	34.00000	91.00000	1.000000
Minimum	-162.5691	0.000000	0.000000	0.000000	0.000000
Std. Dev.	24.23862	15.70194	7.707862	25.49389	0.413123
Skewness	-0.164721	2.440212	3.627209	0.592467	1.375493
Kurtosis	13.49293	8.763860	14.84913	2.570794	2.891980
Jarque-Bera	753.1018	366.0106	965.1426	7.941426	56.84692
Probability	0.000000	0.000000	0.000000	0.018860	0.000000
Sum	-3513.773	1352.330	273.0000	3820.000	39.00000
Sum Sq. Dev.	95764.23	37722.30	7069.925	77342.67	30.55000

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Observations	164	154	120	120	180

The table 1 shows the descriptive statistics of the behavior of the estimated sampled variables. The sampled variables of tax gap (TG), block board/managerial ownership (BMO), block government ownership (BGO), block institutional ownership (BIO) and foreign parent ownership (FPO) are investigated. The descriptive result of TG has a mean value of -21 and maximum value of 94, while the minimum value is -162. This suggests that, the banks under review have average level of tax evasion. The Jacque-Bera normality test indicates that all of the sampled variables are distributed normally, since their probability values are below the significant level of 5percent.

Table 2. Correlation Test Result

	TG	BMO	BGO	BIO	FPO
TG	1	0.23734	0.12676	0.22226	-0.05346
BMO	0.23734	1	0.74154	0.12041	-0.15113
BGO	0.12676	0.74154	1	0.28209	-0.08936
BIO	0.22226	0.12041	0.28209	1	0.27986
FPO	-0.05346	-0.15113	-0.08936	0.27988	1

Before the regression test, there is a need to first examine the correlation of the variables. The essence is to find out the relationship strength of the variables launching the regression model. Hence, table 2 shows a substantial relationship between the independent variables of BMO, BGO, BIO, FPO and tax evasion measure of TG (23%, 12%,, 22 and -5%, respectively). But FPO relationship is a weak negative one.

Table 3. Panel Regressions Analysis Results

Variables	**Random Effect Model**			**Fixed Effect Model**		
Dependent variable:	**TG**			**TG**		
	coefficient	(t-statistics)	P value	Coefficient	t-statistics	p- value
Constant	-36.15582	-7.774377	0.0000	-38.63704	-7.837304	0.0000
BMO	0.616382	2.457257	0.0159	0.643985	2.458825	0.0160
BGO	-0.608514	-1.108876	0.2704	-0.532648	-0.948814	0.3455
BIO	0.287750	2.456074	0.0159	0.342920	2.768186	0.0070
FPO	-12.87043	-1.259402	0.2111	-9.277234	-0.889723	0.3762
R^2	0.148455			0.259594		
R^2_{adj}	0.101666			0.133183		
F- Statistic	3.172905			2.053576		
Prob(F-stat)	0. 010977			0.023175		
Durbin-Watson Stat.	1. 248194			1.209764		

***Source**: Appendix Extracts*

Table 4. Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	8.089351	5	0.1514

The Hausman test is to guide and help us select the best result between the fixed effect model and the random effect model for the study. That is, the decision here is to select the result that is more suitable based on the test. Hence, the result of the Hausman test implies that the random effect model is not significant at 0.05 level. Hence, the fixed effect result is adopted and selected for this research. Accordingly, it will form the basis for our findings and discussions upon which the conclusion and policy implication of this work shall be drawn.

Therefore, the X-rays and discussed of table 3 is on the ground of fixed effect model. The result indicates the nexus of ownership identity and tax evasion in Nigerian commercial banks. The panel regression output shows that the value of R^2

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is 0.26 and the adjusted R^2 value is 0.13. This implies that the selected variables of ownership identity can explains about 13percent of the systematic variation in tax evasion proxied as tax gap of commercial banks in Nigeria. This indicates that there is goodness of fit in the adopted model.

Accordingly, the F-statistics value is 2.05 with probability value of 0.023 imply that the overall model at 0.05 level is significance. Therefore, using the F-statistics as the coefficient of determination, the variables are significant at 5percent level. Hence, the null hypothesis is rejected and we conclude that ownership identity has significant effect on tax evasion. In other words, the F-statistics prove the validity of the estimated model which is statistically significant at 5percent level, as shown by the F-probability value. This also means that the alternate hypothesis is valid and that the explanatory variables have significant relationships with the criterion variable. The Durbin-Watson statistics rule of thumb for the measure of autocorrelation is greater than R^2 (1.20976>0. 148455). This indicates the absence of first order autocorrelation.

At the level of the individual variable, the t-statistics of BMO and BIO variables revealed a positive significant association with the problem variable, while BGO and FPO have negative non-significant association with the criterion variable at 0.05level of significance. This outcome implies that an increase in block board/managerial ownership and block institutional ownership of the sampled firms will lead to corresponding increase in tax evasion.

Table 4.4: Granger Causality Test Result

Null Hypothesis:	Obs	F-Statistic	Prob.	Decision
TG does not Granger Cause BGO	77	3.13834	0.0493	Reject
TG does not Granger Cause BIO	77	3.10747	0.0508	Reject
BMO does not Granger Cause BGO	77	4.71806	0.0119	Reject
BIO does not Granger Cause BGO	77	3.79279	0.0272	Reject

Source: Authors own computation using Eview 10

The above table 4.4, indicate that tax gap (TG) granger cause block government ownership (BGO), tax gap (TG) granger cause block institutional ownership (BIO), block board/managerial ownership (BMO) granger cause block government (BGO) and block institutional ownership (BIO) granger cause block government ownership (BGO). The analysis shows a "unidirectional causal relationship between the predicting variables and the criterion variable". Hence, the null hypotheses are rejected. The appendix has more details.

Discussion of findings

***$H0_1$:** managerial ownership has no significant influence on tax evasion in Nigerian banks.*

The board managerial ownership indicates a positive and significant relationship with tax evasion in Nigerian deposit money banks. This result implies that high block managerial board ownership can increase managers' tendency to evade taxes and carryout aggressive tax planning activities to minimize the tax burden. (Cabello et al., 2019) buttressed that a large number of managerial policy makers/ownership may likely lead to high risk and high tendency to invest in risky projects due to pressure to be profitable. In addition, managerial shareholders, who participate in company management decisions, tend to maximize net profits and make decisions that can maximize company profits. Such significant effect on tax evasion in the Nigerian banking sector may be due to the alignment of management and shareholder interests in maximizing returns. When board members hold significant ownership stakes, they stand to gain directly from increased profitability, which can motivate them to pursue aggressive tax reduction strategies to boost earnings. This ownership structure can foster a higher tolerance for risk and encourage tax minimization practices, even if these strategies approach the boundaries of tax evasion.

Additionally, board members with ownership stakes may feel empowered to bypass strict compliance measures, focusing instead on short-term financial gains, further reinforcing a culture that prioritizes tax savings over compliance within Nigerian banks. This result is consistent with the findings of Li, (2014) and Ribeiro et al., (2015) as per the reduction in agency conflict between shareholder and managers in agency theory. The result implies that banks in Nigeria with high managerial ownership tend to be aggressive in tax planning. This result gives room for the rejection of the first stated null hypothesis that: managerial ownership has no significant influence on tax evasion in Nigerian banks. The result is in line with works of Bradshaw et al., (2014) who finds positive association between managerial board ownership and tax aggressiveness but in contrast with the works of Salaudeen and Ejeh (2018) that found a negative significant relationship between managerial ownership and tax aggressiveness.

***$H0_2$:** Institutional ownership has no significant influence on tax evasion in Nigerian banks.*

Institutional ownership exerts a positive and significant effect on tax evasion within the banking sector due to the pressure institutional investors place on maximizing shareholder returns. These investors, including hedge funds, mutual funds, and private equity firms, often prioritize profitability, which encourages bank management to adopt aggressive tax strategies. Institutional owners not only provide the resources and risk tolerance necessary for complex tax planning but also wield significant influence over governance practices. This influence may prioritize tax efficiency as a means of cost-saving, inadvertently leading to tax evasive behaviors. Additionally, the competitive pressure to show strong financial performance, especially under the scrutiny of

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institutional shareholders, drives banks toward practices that lower tax expenses to improve profitability metrics, even if such practices approach tax evasion.

$H0_3$: Public ownership has no significant influence on tax evasion in Nigerian banks.

$H0_4$: Foreign ownership has no significant influence on tax evasion in Nigerian banks.

Block government ownership and block foreign ownership tend to have a negative but non-significant effect on tax evasion in the Nigerian banking sector due to their distinct focus on regulatory compliance and reputational risk. Government ownership often prioritizes public accountability, transparency, and adherence to regulatory standards, discouraging aggressive tax practices that could attract scrutiny. Similarly, foreign owners, particularly those from regions with strong corporate governance standards, tend to prioritize compliance to protect their global reputation and avoid legal risks. However, the non-significant effect may arise because these ownership structures do not consistently translate into direct managerial influence, limiting their capacity to substantially deter tax evasion practices within Nigerian banks.

5. Conclusion

This study concludes that ownership structures within Nigerian deposit money banks significantly influence tax evasion behavior. The positive and significant effects of block ownership by boards and institutional investors on tax evasion underscore the potential for concentrated domestic ownership to contribute to governance practices that may prioritize profit maximization over regulatory compliance. In contrast, the negative yet non-significant effects of government and foreign block ownership suggest that external or governmental oversight might mitigate tax evasion tendencies, though this influence is not substantial in this context. These findings highlight the need for policymakers and regulators to focus on strengthening transparency and regulatory oversight in banks with high levels of domestic concentrated ownership to curb tax evasion. Further research could explore additional governance variables and broader financial institutions to enrich understanding and guide targeted reforms in the sector.

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