

Does Corporate Governance Moderate the Relationship between Tax Aggressiveness and Firm Performance?

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Abstract

The objective of the study is to examine the moderating effect of corporate governance on the relationship between corporate tax aggressiveness and firm financial performance. The study made use of the ex-post facto research design. The population and sample consisted of all the 52 companies quoted on the floor of the Nigerian Stock Exchange as financial service providers between 2013 and 2018. Data for the study were analysed using the random effect panel regression technique as indicated by the Hausman test. The study found that tax aggressiveness exhibited a negative relationship with firm performance but this was statistically insignificant when tested at the 5% level of significance. Corporate governance was found to exhibit a positive relationship with firm performance and this was statistically significant when tested at a 5% level of significance. Corporate governance was found not to have a significant moderating effect on the relationship between tax aggressiveness and firm performance when tested at a 5% level of significance. The study recommends that for most organizations to be successful in their tax aggressive strategy there is a need for strict adherence to corporate governance mechanisms to improve financial performance.

Keywords: Tax aggressiveness, Firm financial performance, Corporate governance

1.0 Introduction

The primary goal of an organization is to make a profit and its performance is one of the determinants of its continued existence. An organization that performs well instills confidence in its stakeholders and for an organization to achieve this; they employ several strategies. According to Nguyen, Tran-Nam, and Lim (2017) one of such strategies organizations use is corporate tax aggressiveness.

Tax is a compulsory levy imposed by the government on individuals and companies in a society based on their income, profits and wealth and it has the tendency of placing a burden on the firm which might affect their level of performance (Chen, Cheok, & Rasiah, 2016). The tax imposed

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on organizations often time affects their level of productivity because it reduces their monetary power to diversify. Thus, most organizations, therefore, see the need to be aggressive in an attempt to reduce their tax burden. Tax aggressiveness simply entails the deliberate attempt by management to use various measures to reduce their tax burden (Mucui, Kinya, Noor, & James, 2014). It benefits the company and its shareholders only when the associated cost brings about higher cash flows and net income for the firm and the shareholders (Blouin, 2014).

Issues on tax aggressiveness have gained increased attention from Nigeria's revenue authorities and revenue collection bodies. The trend of increased sophistication in methods and tools in tackling this issue is because one of the primary sources of revenue is tax. The result of this trend is more stringent enforcement of taxation laws.

The traditional thinking is that corporate tax aggressiveness can be used to reduce cost which will, in turn, increase earnings and performance of the firm. However, researchers in this area have come up with divergent opinions on the actual effect of corporate tax aggressiveness on performance. One such study is that of Lee, Dobiyski, and Minton (2015), who stated that when stakeholders are not able to fully comprehend the cost and benefit of tax aggressive activities, it could lead to an actual reduction in firm's value. This is because the complexity and obscure nature of tax aggressiveness may allow management to mask or hide any type of rent extraction activities and this could lead to information asymmetry which may be detrimental to the company. Others include the study of Desai and Dharmapala (2009) that showed that tax aggressiveness facilitates the transfer of wealth from the government to the shareholders, however, this is complicated due to agency problems between shareholders and managers. Mucui, Kinya, Noor, and James (2014) found that tax aggressiveness has no significant relationship with firm performance. The studies of Ogundajo and Onakoya (2016) and Chen, Hu, Wang, and Tang (2014) both found a negative and significant relationship between tax aggressiveness and financial performance. On the other hand, Nwaobia, Kwarbai, and Ogundajo (2016) discovered that tax aggressiveness and firm value are positively and significantly related. This was based on the results obtained from the panel regression technique.

To provide clarity on the conflicting findings, well-governed firms with transparency and accountability are expected to affect tax aggressiveness and firm performance. Several studies

have propounded that corporate governance should have a moderating effect on tax aggressiveness and firm performance (Ftouhi, Ayed & Zemzem, 2014; Igbinovia & Ekwueme, 2018; Wahab & Holland, 2011). However, these studies measured corporate governance based on single governance variables such as the independence of the board, which is not a whole representation of the corporate governance framework. Therefore, this study is a departure as it employs a more robust measure of corporate governance using an index propounded by Ammann, Oesch, and Schmid (2010) and modified to suit the Nigerian context. The index comprises metrics that focused on corporate behaviour, their market, remuneration, shareholders rights, financial disclosure and board accountability.

Premised on the foregoing, the main objective of this study is to examine the impact of corporate tax aggressiveness on firm financial performance with corporate governance as a moderating variable.

2.0 Theoretical Background

2.1 Political Power and Cost Theory

This theory is based on two assumptions which are the political cost theory and the political power theory. From the political economy perspective, the tax burden could be linked to company size. The political power aspect of the theory opined that large organisations have larger political power than small firms. Most especially, large firms can use their possessions and power to negotiate their tax burden or influence lawmaking in their favour (lobbying activities), resulting in a reduction in effective tax rates for large organizations compared to small firms (Siegfried, 1972). On the other hand, that is the political cost aspect of the theory, Watts and Zimmerman (1978) noted that larger organizations are subject to more regulation from the government. In addition, they are politically more susceptible to public pressures and inspection, which force them to carry out more socially responsible activities and to regulate their activities and corporate behaviour to what their environments expect. Zimmerman (1983) also observed that a large firm can have a large political power which they might exploit to get excess advantages, indicating that some firms with sufficient political power can eliminate or reduce their tax-related political costs.

2.2 Agency Cost Theory

The agency cost theory was developed by Jensen and Meckling (1976). Managers are the agents, while owners are the principals. Owners of a firm would always want their wealth to be maximized and managers seek to accomplish the needs of the owners and are rewarded with strong incentives to meet the interest of shareholders. This implies that owners will want to support management if they feel that tax avoidance strategies would increase or maximize their wealth. But this is not always so as a conflict of interest between managers and owners will arise. Self-seeking managers would employ tax avoidance strategies to divert these funds. In the end, then, both the government and shareholders are at loss. This is why managerial ownership structure or shareholding has been emphasized. It is completely rational that if managers who tend to be self-seeking have a stake in the business, they would want to make better decisions so as not to jeopardize their stake. Desai and Dharmapala (2009) also introduced a more robust idea to this theory. They believe that if firms with good corporate governance engage in tax avoidance practices; these activities are likely to increase the value of the firm. This increase would also be reflected in maximized wealth for shareholders. On the other hand, the firm value will be low for firms with poor corporate governance practices who engage in tax avoidance practices. Therefore, it is expected that strong corporate governance practice will moderate the relationship between tax aggressiveness and the financial performance of the firm.

3.0 Literature Review and Hypotheses Formulation

3.1 Firm Financial Performance

The primary focus of profit-seeking organizations is the maximization of shareholders wealth. This is because shareholders are the legal owners of a business and therefore their interest should be paramount. Shareholders are usually concerned about current earnings, future earnings, dividend policies and relative risk of their investments. All these are driven by financial performance. Financial performance is one of the ways of analysing a company's wellbeing. The financial performance of a company is the blueprint of the financial affairs of a company. In a much broader sense, it entails the process of measuring the result of a firm's policies and operations in monetary terms. Financial performance is also useful in the measurement of the overall financial health of a firm over a period of time and can be used for comparison within firms in the same or similar industry. Evaluating a firm's financial performance is derived from

the information presented in its financial statements. The financial statement of a firm is its information hub and it is from it investors can make informed decisions. The providers of resources are more concerned about how well a firm is doing financially and how it intends to maintain its financial growth (Chen, Hu, Wang, & Tang, 2014).

3.2 Corporate Tax Aggressiveness

Tax is a compulsory levy imposed by the government on individuals and companies in a society based on their income profit and wealth. It is a line item and it forms part of the cost of doing business. Tax aggressiveness has been used interchangeably with tax planning, tax evasion, tax avoidance and abusive tax planning (Chen et al., 2010; Richardson, Taylor, & Lanis, 2013). Tax aggressiveness is traditionally viewed as being beneficial to the company and its shareholders as long as the cost of tax planning increases the cash flow and net income of the firm and the earnings of the shareholders (Blouin, 2014). Chen et al (2010) opined that there is a legal part to tax avoidance so it should not be viewed as illegal. However, there is the tendency that risk might come to play (Blouin, 2014). Hanlon and Heitzman (2010) described tax avoidance as a range with impeccably legal actions on one side and tax evasion on the other side. When various individuals who are responsible for the tax strategy of an organization decide tax aggressiveness, they will have to consider both the cost as well as the benefits. The perceived benefits of being tax aggressive are greater (Desai & Dharmapala, 2009). This is because the higher the profit, the better the value of the firm and also the higher the returns to the owners of the firm. It will also transcend to management if their benefits and remunerations are based on performance. Nevertheless, it must be noted that the cost associated with tax aggressiveness varies in nature. First and foremost, tax aggressiveness can inflict monitoring costs like employing the service of a tax consultant and incurring the cost of concealment (Lee et al., 2015).

3.3 Tax Aggressiveness and Firm Financial Performance

Kawor and Kportorgbi (2014) conducted a study in Ghana and observed that paying less tax enhances firm profits but this does not reflect in the value of the firm. The study concluded that the tax decisions taken by managers are not entirely for the benefit of the firm but themselves, which aligns with the agency theory. Similarly, Ftouhi, Ayed, and Zemzem (2014) carried out a study investigating the relationship between tax planning and firm value. The study used the

generalised least squares regression technique. The findings of the study revealed that tax planning and firm value have a negative and significant relationship. Goh, Lee, Lim, and Shevlin (2013) investigated the relationship between a company's cost of equity and corporate tax avoidance. Three measures were used to ascertain moderate forms of tax aggressiveness: long-run cash ETR, permanent book-tax differences and book-tax difference. The findings revealed that moderate forms of tax aggressiveness lead to a reduction in a company's cost of capital. Further examination showed that the effect is greater for organizations with strong corporate governance mechanisms. It also applies to companies with high marginal benefits of saving tax payments and companies with quality financial information. Heitzman and Ogneva (2015) ascertained the association between stock returns and tax planning from 1988 to 2013 using panel regression analysis. They established that high tax planning firms do not particularly earn higher returns, but only during periods when tax enforcement is low; the study also discovered that small firms have less diversified tax strategies than large and complex firms due to: lack of scale and complexity, high exposure to adverse consequences of government actions, inability to finance high fixed costs of tax planning strategies. The study revealed that large organizations are less exposed to tax policy risk because they are regularly audited.

Based on the foregoing, this study expects that there is no significant relationship between tax aggressiveness and firm financial performance.

3.4 Corporate Governance and Firm Financial Performance

Corporate governance is a term that is frequently used by researchers, practitioners, the media, regulators, and the general public, all focusing on control mechanisms. Typically the term corporate governance means to mitigate conflicts of interest between managers and investors (Sarkar & Sarkar, 2009). However, it has not been possible to find a general agreement on the definition of the concept of corporate governance. Aguilera and Cuervo-Cazurra (2009) argued that a comprehensive definition of corporate governance is difficult because it covers broad governance structures (board of directors, shareholders, audit committee, compensation contracts, etc. Hence, narrowing the definition is problematic since it limits the focus and interpretation of the role of governance mechanisms. However, in defining corporate governance, a distinction between internal or external control mechanisms is broadly used in literature (Coles, Lemmon, & Meschke, 2007; Denis & McConnell, 2003). Monitoring by the

board of directors and controlling shareholders and the use of incentive compensation (i.e., performance-based compensation) are considered as internal governance mechanisms; whereas disclosure requirements, corporate laws for investor protection, and monitoring by creditors and independent directors are considered as external monitoring mechanisms in literature.

The effects of managerial ownership on firm performance differ across different countries due to differences in corporate governance requirements (Aguilera & Cuervo-Cazurra, 2009). A study conducted by Brown and Caylor (2009) using a sample of firms listed in the United States (US) found a positive impact on firm value when firms practice good disclosure of corporate governance to shareholders and stakeholders. This is consistent with the requirements of the King Report in South Africa. The King Report is similar to the Cadbury Report that is used in the Corporate Ownership and Control United Kingdom (UK); the difference is the transparency requirement, which requires South African firms to be transparent regarding the board structure and management techniques (Ntim, Opong, & Danbolt, 2012).

Based on the foregoing, this study expects on one hand that there is a significant relationship between tax corporate governance and firm financial performance. On the other hand, this study expects that there is corporate governance will significantly moderate the relationship between tax aggressiveness and firm financial performance.

4.0 Methodology

This study made use of an ex-post-facto research design. The choice of this research design is because our data are numerical and we want to ascertain the relationship between the variables of the study. The population and sample of this study consisted of all companies (52) quoted in the financial sector on the floor of the Nigerian Stock Exchange (NSE) as of 31st December 2018. The data used for the study were obtained from secondary sources. The model for this study was analyzed using the random effect panel regression technique as indicated by the Hausman test.

This study adapted the model of Ftouhi, Ayed and Zemzem (2014). Their model is given below;

$$\text{Tobin's } Q = b_0 + \beta_1 \text{ETR}_{it} + \beta_2 \text{BSIZE}_{it} + \beta_3 \text{BINDP}_{it} + \beta_4 \text{DUAL}_{it} + \beta_5 \text{BDIVR}_{it} + \beta_6 \text{AC}_{it} \\ + \beta_7 \text{GROWTH}_{it} + \beta_8 \text{LogDIV}_{it} + \beta_9 \text{SIZE}_{it} + \beta_{10} \text{INFL}_{it} + \beta_{11} \text{LogROA}_{it} + \beta \epsilon_{it} \dots 1$$

Where;

Tobin’s Q= Performance measure; ETR= Effective tax rate; BSIZE= Board size; BINDP= Board independence; DUAL= CEO Duality; DIVR= Board diversity; AC= Audit committee; SIZE= Firm size; DIV= Dividends; GROWTH= Firm growth; ROA= Return on assets; INF= Inflation rate

The model above was modified to suit this study by taking effective tax rate as a measure for tax aggressiveness. The model for this study addressed how the main explanatory variables of tax aggressiveness and corporate governance impact firm financial performance. In addition, the model addressed the moderating effect of corporate governance on the relationship between tax aggressiveness and firm financial performance. In light of this, to take into account the deterministic and stochastic aspect of the model, it is therefore expressed as follows:

$$FPERF_{it} = \beta_0 + \beta_1 CTAG_{it} + \beta_2 CORGOV_{it} + \beta_3 CTAG * CORGOV_{it} + \beta_4 FAGE_{it} + \varepsilon_{it} . 2$$

Where:

FPERF = Financial performance; CTAG = Corporate tax aggressiveness; CORGOV = Corporate governance; FAGE= Firm Age; β_0 = Constant; β_1, \dots, β_4 = Coefficients; ε = Error term; I = Cross-section of firms; t = Time (see table 1 for details on measurement of variables)

Table 1: Type of variables and how they were measured

Variable	Proxy	Type	Measurement	Authors	Apriori sign
Financial Performance	FPERF	Dependent	Profit after tax	Melville, 2015	
Corporate Tax Aggressiveness	CTAG	Independent	Cash tax paid / Pre-tax income	Chen et al. 2010	-
Corporate governance	CORGOV	Moderating	Corporate governance index.	Ammann, Oesch and Schmid (2010)	+
Firm Age	FAGE	Control	Number of years listed on NSE	Nwaobia, Kwarbai and Ogundajo (2016)	+

Source: Researchers Compilation

5.0 Results and Discussions

Table 2: Descriptive Statistics

	FPERF	CTAG	CORGOV	FAGE
Mean	11734182	0.164458	0.799503	13.10788
Median	556376.0	0.119110	0.796000	11.00000
Maximum	1.93E+08	1.000000	0.980000	49.00000
Minimum	-52600893	0.000000	0.429000	1.000000
Std. Dev.	31238144	0.203205	0.100948	9.088728
Jarque-Bera	2384.261	941.4334	93.30186	153.8253
Probability	0.000000	0.000000	0.000000	0.000000

Source: Researchers Compilation

Table 2 shows the result of the descriptive analysis carried out. The mean value of FPERF is N11,734,182,000 indicating that companies in the financial services sub-sector are generally quite profitable. The standard deviation measuring the spread of the distribution stood at a value of N31,238,144,000. This large value suggests that the profitability of each company largely differs from the industry average. The Jarque-Bera statistic which measures the normality of the distribution was found to have a probability value of 0.00 indicates that the variable does not follow a normal distribution.

Corporate tax aggressiveness is captured using cash effective tax rate and it has an average of 0.164458 which implies that companies in the financial services sub-sector pay lower than the statutory rate of 30%. It also suggests that the companies are tax favoured though it may be from accrual management that affects pretax accounting income. The large standard deviation of 0.203205 tells us that the extent of average tax aggressiveness largely varies across the companies. The Jarque-Bera statistic of 941.4334 and probability value of 0.00 indicates that the variable does not also follow a normal distribution.

The variable corporate governance was found to have a mean value of 0.799503. The standard deviation was found to have a value of 0.100948 while the Jarque Bera statistics was found to have a value of 93.30186 with an associated probability value of 0.00. All these values indicate that the level of corporate governance disclosure is impressive at approximately 80% of items

contained on the disclosure index. The small standard deviation proves that the level of corporate disclosure among the companies is similar. Lastly, The Jarque-Bera statistic of 93.30186 and probability value of 0.00 indicates that the variable does not also follow a normal distribution.

Table 3 Correlation

Correlation				
Probability	FPERF	CTAG	CORGOV	FAGE
FPERF	1.000000			
CTAG	0.011919	1.000000		
	0.8543	-----		
CORGOV	0.336264	0.077323	1.000000	
	0.0000	0.2327	-----	
FAGE	0.207738	0.058479	0.174386	1.000000
	0.0012	0.3671	0.0068	-----

Source: Researchers Compilation

Table 3 is the Pearson correlation analysis. The essence is to provide preliminary evidence of the association between the dependent and explanatory variables as well as provide cursory evidence of multicollinearity. From the result, it was observed that corporate tax aggressiveness has a correlation coefficient of 0.01 indicative of a poor association with firm performance. On the other hand, corporate governance and firm age have correlation coefficients of 0.336 and 0.207 respectively. These suggest a fair association with firm performance and provide univariate evidence that tax aggressiveness does not relate to firm performance while corporate governance and firm age does. It is pertinent to note that correlation cannot be used to infer cause and effect relationships thus, in light of these, a multivariate analysis is very essential.

Table 4 Multivariate Analysis

Variable	Random (without interaction)			Random (with interaction)		
	Coefficient	t-Statistic	p-value	Coefficient	t-Statistic	p-value
CTAG	7158752.	1.755906***	0.0804	-50026874	-1.230797	0.2196
CORGOV	3202929	3.560886*	0.0004	40643358	5.501372*	0.0000
CTAG*CORGOV				-70261725	-1.296084	0.1962
FAGE	1088704.	2.338197**	0.0202	1086883.	2.279101**	0.0236
C	-2443162	-4.305100*	0.0000	-31341843	-4.595039*	0.0000
R Squared	0.057971			0.061154		
Adjusted R Squared	0.045996			0.045173		
F-statistic	4.841012			3.826804		
F-statistic (p-value)	0.002742			0.004931		
LM Test (p-value)	0.000000					
Hausman Test (p-value)	0.177300					

Source: Researchers Compilation (2019)

sig: * 1%, ** 5%, ***10%

Table 4 represents the result of the multivariate analysis carried out using the panel least squares. To aid interpretation, the measure of corporate tax aggressiveness (cash ETR) has been multiplied by (-1) to ensure that increasing values of cash ETR implies higher levels of tax aggressiveness. Looking at the result without interaction, an examination of the summary statistics revealed that the coefficient of determination depicted as R^2 has a value of 0.057, therefore, indicating that on average the explanatory variables account for 5.7% of the systematic variation exhibited by the dependent variable. Furthermore, when adjusted for the degree of freedom, the adjusted R^2 of 0.045 suggests that about 4.5% of the systematic variation exhibited by firm performance is attributed to the joint effect of the explanatory variables. The low value of the R^2 is not surprising as this is a common feature of most panel regression analyses and it could be as a result of the heterogeneous nature of the data.

The F-statistic which takes into account the overall significance of the model has a value of 4.841012 and an associated probability value of 0.002742 indicating that on average the model is statistically significant at the 5% level of significance in predicting the relationship between the dependent and explanatory variables. The Lagrange Multiplier test for random effects (LM) has a

significant p-value of 0.0000 which reveals that the pooled regression technique is not adequate and that the panel regression is appropriate. Furthermore, the insignificant p-value (0.1773) of the Hausman test provides a clear indication that the random effects panel least squares are the more appropriate effects to use.

As for the individual variables, the sign of the coefficients shows CTAG, CORGOV, and FAGE all have a positive relationship with firm financial performance. Focusing on the t-statistics and p-values, Table 4 further reveals that corporate tax aggressiveness (CTAG) has a t-statistic of 1.755906 with a p-value of 0.0804. Thus, it has a statistically significant relationship with a performance at 10% significance level but insignificant at the 5% level. Corporate governance (CORGOV) has a t-statistic of 3.560886 with a p-value of 0.0004. Therefore, it is statistically significant when tested at a 5% level of significance. Finally, the control variable (firm age) is also significant at 5% as inferred by the t-statistics of 2.338197 and p-value of 0.0202.

When corporate governance interacts with corporate tax aggressiveness, the results are slightly different. It is observed that R^2 is now 0.061154 indicating that on average the explanatory variables now account for 6.1% of the systematic variation exhibited by the dependent variable. Although when adjusted for the degree of freedom, the adjusted R^2 remains at 0.045 suggests that about 4.5% of the systematic variation exhibited by firm performance is attributed to the joint effect of all the explanatory variables. The implication of this is that the inclusion of the interaction between corporate governance and tax aggressiveness does not significantly improve the joint explanatory effect of the variables. The F-statistic of 3.826804 and p-value of 0.004931 still suggest that on average the model is statistically significant at the 5% level of significance in predicting the relationship between the dependent and explanatory variables.

Based on the individual variables, it is observed that the signs have changed. Before the interaction, all of the coefficients were positive but upon interaction, while CORGOV and FAGE remain positive, CTAG is now negative as well as the interaction between CTAG and CORGOV. This implies that in the presence of sound governance, a decrease in tax aggressiveness leads to improved performance although the effect is not significant. Furthermore, it is seen that at a 5% level of significance, only corporate governance (CORGOV)

and firm age (FAGE) are significantly related to firm based on the t-statistics of 5.501372 and 2.279101 respectively while tax aggressiveness (CTAG) and its interaction (CTAG*CORGOV) are statistically insignificant.

4.1 Hypotheses Testing

To test the hypotheses, we focus on the model with interaction and the decision rule is based on the p-values. At a 5% level of significance, the null hypothesis is not accepted while the alternative is accepted if the p-value is lower than 0.05. Conversely, the null hypothesis is accepted while the alternative is not accepted if the p-value is greater than 0.05.

From Table 4, CTAG (tax aggressiveness) has a t-statistic of -1.230797 and a p-value of 0.2196. The p-value is greater than the benchmark of 0.05 thus, we fail to reject the null hypothesis and conclude that there is no significant relationship between tax aggressiveness and firm financial performance.

Also from Table 4, CORGOV (corporate governance) has a t-statistic of 5.501372 and a p-value of 0.0000. The p-value is lower than the benchmark of 0.05 thus, we fail to accept the null hypothesis and conclude that there is a significant relationship between corporate governance and firm financial performance.

Lastly, still, from the table, the interaction between corporate governance and tax aggressiveness (CTAG*CORGOV) has a t-statistic of -1.296084 and a p-value of 0.1962. The p-value is greater than the benchmark of 0.05 thus, we also fail to reject the null hypothesis and conclude that corporate governance does not significantly moderate the relationship between corporate tax aggressiveness and firm financial performance.

4.2 Discussion of Findings

The effective tax rate was found to have a negative relationship with firm performance. This finding is at variance with the studies of Nwaobia, Kwarbai, and Ogundajo (2016) who found a positive relationship between tax planning activities and firm performance, stating that the right combination of debt and equity in the capital structure yields the best benefit; and Ifurueze, John-

Akamelu, and Iyidiobi (2018) who carried out a study focusing on manufacturing firms within the Nigerian framework and found a positive impact of tax aggressiveness on firm performance. The findings were found to be in line with the studies of Kawor and Kportorgbi (2014), who reiterated that employing tax strategies to pay reduced tax does not translate to the increase in firm value and Ftouhi, Ayed, and Zemzem (2014) in a similar study who found a negative impact of tax planning strategies on firm value.

Corporate governance was also found to have a positive effect on firm performance, this finding is consistent with the findings of Sarkar and Sarkar (2009) but they stated however that directors from within the firm being familiar with the firm operations can assist the firm to have a positive performance, Brown and Caylor (2009) who discovered that corporate governance disclosure to stakeholders and shareholders have a positive impact on the performance of the firm. These findings were however found to be at variance with the findings of Raluca-Georgiana (2013) who state that corporate governance has a negative effect on firm performance due to the duality of the CEOs. The rationale is that given the transparency in the stakeholders having access to information, this puts the company on their toes to ensure the company's performance is optimized and sometimes tied to their compensation packages, this serves as extra motivation to put in more effort to reduce expenses and increase performance. Lishenga (2011) in their view of corporate governance as allocating powers impact the performance of the firm positively by improving its financial strengths and efficiency in operations.

Corporate governance was found to positively impact the moderation between tax aggressiveness and firm performance. The rationale being that a strong corporate governance framework in a firm will ensure decisions taken are to the benefit of the company, effective monitoring can take place and the aim of management to reduce taxes paid from company profits will be supported by the firm governance structure. This finding is in line with the studies of Igbniovia and Ekweme (2018); Omolbanin and Ghodratollah (2015); Lestri and Wardhani (2015). Richardson, Taylor and Lanis (2013) but at variance with the findings of Wahab and Holland (2011) stated that the negative impact of the moderation variable is due to information asymmetry between the managers and shareholders. Firm size was found to have a negative relationship with firm performance. It was also found to be statistically significant when measured at a 5% level of

significance. Firm age was found to impact negatively on firm performance. It was also found to be statistically significant when tested at a 5% level of significance.

5.0 Conclusion and Recommendations

The study was carried out to ascertain the moderating effect of corporate governance on the relationship between tax aggressiveness and firm performance. The study concludes that corporate governance moderates the relationship between tax aggressiveness and firm financial performance. Tax aggressiveness was found to have a negative relationship with firm performance indicated by a negative ETR. Corporate governance was found to have a positive relationship with firm financial performance. Our findings reveal that the presence of tax aggressiveness in an organization will affect financial performance negatively. However, in the presence of sound corporate governance, tax aggressiveness will positively influence the performance of the firm. The study recommends that the presence of tax aggressiveness in an organization will affect financial performance negatively. It is therefore recommended that management should examine their tax aggressive activities to ensure that it does not affect the performance of the firm negatively.

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