



Effects of Multiple Taxes on Profitability of Deposit Money Banks (DMBs) in Nigeria.

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Abstract: Taxes are vital tools used by many countries to provide the infrastructural facilities to promote economic development and growth. However, the performance of deposit money banks has been affected through the multiplicity taxes. This study investigated the effect of multiple taxes on profitability of deposit money banks (DMBs) in Nigeria. Eighteen deposit money banks listed as at December 2018 were used as the population out of which seven (7) best banks were selected for the study using purposive sampling technique. The study used time series data from 2009 to 2018 obtained from Central Bank of Nigeria and National Bureau of Statistics while panel least square **technique was** employed to analyze the data. The findings of the study revealed that company income tax (CIT) had a negative significant effect on banks profitability of DMBs $= -4.01, p = (0.0001)$. However, tertiary education tax (TET) and information technology tax (ITT) showed positive insignificant effects on profitability of DMBs $= 0.844, p = 0.399$ and $0.161, p = 0.211$ respectively]. The study concluded that multiple taxes partially and negatively affect the **profitability of DMBs**. Hence, it was recommended that Nigerian government needs to reduce company income tax as well as encourage tertiary education tax and information education tax to provide an avenue for improving profitability of DMBs in Nigeria.

Keywords: Multiple taxes, DMB, CIT, TET and ITT.

1. Introduction

Incidences of multiple taxes on the profitability of banks are pertinent issues in the global economy wellbeing in the last decade. Multiplicity taxes are universal phenomenon that may obstruct efficient profitability of deposit money banks (DMBs) and hinder revenue generation by the government in developed and developing countries (Chiorazzo & Milani, 2011; Uwaloma, Uwuigbe & Francis, 2013).

Information Technology tax and tax noncompliance is suggested to be even a more severe problem in developing and transitional countries. In developed countries, New Zealand for instance, statistical evidence shows that as much as US\$285 Billion tax revenues were loss annually due tax noncompliance (Cobham, 2005).

There are over fifty (50) taxes and levies collected by the federal, state and local governments in Nigeria (ICAN, 2014). Besides the excessive taxes and levies, it is

worrisome where different taxes or levies on the same income or profits base is imposed by federal, state and local government tax authorities. However these taxes and levies have significant cost implications for businesses and create uncertainty for businesses and intending investors. Multiple taxes create a hostile business environment for many businesses in Nigeria, and reduce Nigeria's global competitiveness. It is also a significant contributor to the poor ranking of Nigeria on the world ease of doing business. The recent initiative of the Federal Government on the ease of doing business which although has improved the ranking for Nigeria on the index, is yet to address the issue of multiple taxation. Thus, Nigeria currently ranks 171 on the global ease of paying taxes index (World Bank, 2018; Federal Inland Revenue Service, 2018).

In Nigeria, government is faced with the challenge of increasing her revenue through taxes and at the same time creating incentives through taxes to increase the inflows of

foreign capital importation to the country. This can be counterproductive if not managed properly. Thus, multiple taxes and compliance connotes serious hindrances to survival of companies in many developing countries, such as Nigeria (Abiola & Asiweh, 2012).

The high tax rates levied on listed DMBs among the listed companies in Nigeria exceed the tax rates levied on other sectors. Multiplicity taxes ranging from 1%, 2% and 30%, in relation to information technology tax (ITT) tertiary education tax (TET) and company income tax (CIT) respectively. These taxes caused swift reactions from the banks' shareholders and other related sectors towards increased investment, thus, it perhaps result in reducing financial performance of DMBs in Nigeria (Akinwuni, Olotu & Adegbe, 2017).

The multiplicity taxes range from company income tax, tertiary education tax, information communication technology levy, petroleum profit tax and value added tax (VAT) on every transaction. Azeez (2018) observed that tax awareness, tax penalty, and the host of other numerous taxes on government responsibilities that shape compliance manner of tax payers were not met as expected. In order to limit tax avoidance and evasion it is important that there is no significant difference between the rates of company income tax and that of personal income tax as a result of multiple taxes charged (Kurawa, & Saidu, 2018). **Thus, the multiple taxes may directly contribute to proliferation of evasion and tax avoidance techniques on the part of tax payers.**

1.2 Statement of the Problem

The array of numerous problems associated with tax revenue generation nationwide has probably led to multiple taxes levied on organizations. **Incidence of multiple taxes has increased the cost of business operations, reduce profit margin of businesses, discourage the springing up of new business enterprises, and increase unemployment. About 98% of DMBs customers are influencing investment and wellbeing of Nigeria economy (Bamidele,**

Ibrahim & Omole, 2018). The returns to the shareholders are often directly affected and business expansion is often affected. Thus, a lot of problems are encountered by the DMBs, the highest among them being investors and shareholders complaint on multiple taxes. This does not always encourage investors (Okolo, Okpalaojigo & Okolo, 2016).

In Nigeria, the company income tax (CIT) rate has been 30% since 1996, a reduction from the previous rate of 35% (Olaleye, Riro & Memba, 2016). The Nigerian government reduced company income tax rate from 45% to 40% (from 1987 – 1991), then between 1992 -1995, the rate was 35%. There has been no review in more than two decades.

Similarly, tertiary educational tax is one of the taxes ranked second among the factors declining the growth of investment flows in to Nigeria (FIRS, 2010). It is a heavy burden that frustrates existing investors, and scares away prospective ones. A onetime Chairman of the joint tax board (JTB) who was also chairman of the Federal Inland Revenue Service (FIRS), Mrs. Ifueko Omoigui in 2010, noted that multiple taxation is 'evil and illegal'.

Information technology tax (ITT) stood as 1% of pre- tax profit of DMBs **with annual turnover of #100, 000,000:00 or more. The tax is usually self-assessed and paid within six month after the accounting year-end. Information technology tax paid is treated as a deductible expense. Thus, ITT compliance, E-banking payment and offences and penalties perhaps affected the profitability of DMBs in Nigeria (NIDA Act, 2007).** . Such compliance to remit tax returns at due date call for its effect on DMBs in Nigeria. Hence, this study is to effects of multiplicity tax compliance on the performance of selected DMBs in Nigeria.

1.3 Objectives of the Study

The main objective of this study is to examine the effect of multiple taxes on **Profitability of Deposit Money Banks in Nigeria.** The specific objectives are to:

- i) Evaluate the influence of company income tax on the profitability of DMBs in Nigeria;
- ii) Assess the extent tertiary education tax

affect the profitability of DMBs in Nigeria;
and
iii) Examine the degree to which information technology tax compliance has effect on the profitability of DMBs in Nigeria.

1.4 Research Questions

In order to tackle the identified challenges, the following questions were addressed in the study:

- i. To what extent does company income tax influence the profitability of DMBs in Nigeria?
- ii. To what extent does tertiary education tax affect the profitability of DMBs in Nigeria?
- iii. To what degree has information technology tax compliance affect the profitability of DMBs in Nigeria?

1.5 Research Hypotheses

The null hypotheses (H_0) formulated in line with the specific objectives are:

H_{01} : Company income tax has no significant effect on profitability of DMBs in Nigeria.

H_{02} : Tertiary education tax has no significant effect on profitability of DMB in Nigeria.

H_{03} : **Information technology tax compliance has no significant effect on profitability of DMBs in Nigeria.**

1.6 Scope of the Study

This study covers a period of ten years from 2009 to 2018. The choice of this period was motivated based on the fact that different political dispensation within the stipulated period introduced and implemented various monetary policies. Thus, the study is limited to multiple taxes and profitability measured by Returns on Equity (ROE) and Returns on Asset (ROA), thus, the scope of this study is narrowly to 7 best banks listed on the Nigerian Stock Exchange (NSE, <https://lists.ng/top-7-best-banks-in-nigeria-2019>). These banks were rated in terms of capital base and liquidity of the investment operations.

1.7 Justification of the Study

Empirical research findings are very fundamental to the improvement of a nation.

This study is most important as it is expected to add value to the existing research works on multiple taxes of the listed companies in Nigeria, most especially DMBs.

The reviewed literature show that most empirical works on taxation and taxes generally focus on individual income tax, company income or corporate tax, petroleum profit income tax, tertiary education tax, value added tax (VAT), double taxation, and so on, as the most used indicators of multiple tax (Daniel, 2019; Akiwumi et al, 2017; Okolo, et al, 2016; Alm 2015; Aderibigbe & Zachariah 2014; Fagbemi & Abogun, 2013).

2.0 Literature Review

2.1 Conceptual Review

Sanni (2012) identifies companies' income tax; tertiary education tax and technology levy as the relevant examples of multiplicity taxes, whereas they are taxed by the same tier of government or imposing of two or more taxes on the same tax base. This axiom was clearly expressed in the National Tax Policy Document thus:

“Multiple taxes connote “numerous”, “several”, “various” etc. A certain level of multiplicity is unavoidable in a Federal structure as each tier of government may want to charge certain taxes, fees, charges as may be applicable”.

Multiplicity taxes and illegal taxation usually leads to inappropriate regulatory intervention, as the MDAs resort to extra-legal means to enforce such interventions (Ifueko, 2012).

2.1.1 Multiple Taxes Components

Multiple taxes which are directly charged on the profitability of deposit money banks include company income tax, tertiary educational tax (TET) and **information technology tax (ITT)**

2.1.2 Company income tax (CIT)

This is a tax imposed on the profits of all corporate entities who are registered in Nigeria or derive income from Nigeria, other than those engaged in petroleum operations. Many countries impose such taxes at the national level, and a similar tax may be

imposed at state or local levels. The taxes may also be referred to as corporate income tax or capital tax. In Nigeria 30% is the rate of company income tax or corporate tax of the adjusted profit (CITN, 2004). The DMBs in Nigeria are directly charged on the assessable profit in the financial statement. Perhaps, this might affect the performance of DMBs.

2.1.3 Tertiary Educational Tax (TET)

Tertiary education tax (formally Education Tax) is a tax imposed on the assessable profit of all companies registered in Nigeria, including those companies subject to tax under Petroleum Profit Tax Act. It is charged at the rate of 2 percent on the assessable profit of a company registered in Nigeria. This is payable by all Nigerian companies and is levied on assessable profit, that is, tax adjusted profit before capital allowances (Decree No. 7 of 1993).

2.1.4 Information Technology Tax (ITT)

Information technology taxes are imposed on companies engaging in information communication technology. However, not all company in Nigeria is subject to Information technology tax. Section 12 (2) of the National Information Development Agency Act (NITDA) Act provide that certain companies are under the Act. NITDA (2007) stipulated that IT tax is at rate of 1% of pre-tax profit, its payable by telecommunication, cyber, insurance companies and banking industries with annual turnover of #100, 000,000:00 or more. Information technology tax paid is treated as a deductible expense.

2.1.5 Deposit Money Banks

DMBs are also known to be commercial banks before the advent of consolidation and #25bn recapitalization in 2005. Nigeria is a country characterized with different financial institutions. But this study is limited to DMBs selected under national and international authorizations.

2.1.6.1 Profitability of Deposit Money Banks

The sole aim of any investment is to be of

benefit either in kind or measurable profit. Deposit money banks in Nigeria render financial services with the sole aim of making prompt profit and report as well to their shareholders. Deposit money banks play a major role in the financial sector of every economy. The failure or success of these banks will have either positive or negative impact on the economy.

Most organizations exist to earn profit and profitability ratios show a company's overall efficiency and performance. Thus, a business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. The formula used for calculating ROA and ROE are via:

ROA = Profit before tax/ Total Asset

ROE = Profit After tax/ Share capital (total equity)

2.2 Theoretical Framework

This study adopted three different theories ranging from ability to pay theory, signaling theory and the agency cost theory respectively.

2.2.1 Ability to Pay Theory

The ability to pay theory was presented by Arthur Cecil Pigou (1920) and the theory posits that taxes are based on tax payers' ability to pay. Taxes are seen as sacrifice by tax payers, which raise the issue of what the sacrifice of each taxpayer should be and how it should be measured. The ability to pay theory dictates that every tax payer should be taxed according to his ability to pay. This implies that those who are better-off should be taxed more heavily than those who are worse-off irrespective of whether or not they benefit more from government expenditure. Hence, people with equal ability should pay the same amount of tax (horizontal), while people with different abilities should pay different amount of tax; people with less ability should pay less tax than those with greater ability (vertical equity).

2.2.3 Agency Cost Theory

The main theoretical explanation for the relationship between the ownership structure and profitability is based on the agency theory, first established by Jensen and Meckling in 1976.

Agency conflicts can arise between board of directors and managers and employees, or between managers and shareholders and can lead to asset substitution and under investment. However, in case of multiple taxes that perhaps affects the reporting profit which may jeopardize the interest of the investors in the company and the management (Lewellen, Loderer, & Rosenfeld, 1985).

2.3.1 Empirical Studies in Developed countries

Tennant and Tracey (2018) examined the effect of large firms reported profitability and effective tax rate. Increased scrutiny may either improve reporting and compliance efforts or lead to adverse reactions from large taxpayers such as profit shifting to reduce tax liabilities. It was discovered that large tax payer units (LTU) increases pre-tax profit margin by 2% to 3% point.

Lazar and Istrate (2018) in their study titled corporate tax-mix and firm performance in Romanian. They investigated on the impact of overall firm-specific tax-mix on firm performance for Romanian listed companies between 2000– 2011. Secondary data was collected from publicly available corporate reports. Using a fixed-effect model, the results showed that one percentage point increase in overall firm-specific tax rate triggers 0.15 percentage points decrease in return on assets. Moreover, tangibles, leverage and size have a negative effect on Romanian listed companies' performance, while liquidity, growth and lagged profitability have a positive effect.

Alduneibat, Itawalbeh and Hashem (2017) identified the impact of tax planning in industrial public joint stock companies upon the performance of the industrial companies listed in the Amman stock exchange market. The study adopted the analytical descriptive approach. The population of the study includes financial managers who were

working in Jordanian industrial public joint stock companies. The total numbers of those companies are 66 companies in Jordan. The result showed that there is an impact for conducting tax planning in industrial public joint stock companies upon the performance of the Industrial companies listed in the Amman stock exchange market.

Belotti, Di-Porto and Satonic, (2016) examined the effect of local taxes on firm Performance evidence from geo-manufacturing firms in Italy. Secondary data was used. Panel data was employed to analyze the study. The findings showed that Italian firms have a negatively significant effect on the total production.

Hebous, Ruf, and Weicherieder (2011) examined the impact of differences in international tax rate on the probability of chosen a location for an affiliate or multinational firm. The study majorly differentiates between merger and acquisition investment and tax incentive of Greenfield through the investors. The study was adopted legit estimates it was find out that tax Greenfield investment is negatively and in absolute value significantly larger than that associated with merger and acquisition.

Becker and Holmes (2010) analyzed the effect of taxation on both firms which are profitable and unprofitable. Investment, tax, EBITDA, liquidity and firm growth were the main variables. They described the events in which payout taxes has changed by three percentage points and compared the past five years tax change effect with two years following it. They concluded that payout tax adjustment had an economically considerable adverse effect on allocation of the investment, profitability but had no relationship with the firm growth of the firms.

Chiorazzo and Milani (2011) examined the corporate income tax and VAT on the pre-tax returns on assets. Secondary data was sourced, the study focused on 15 European countries cover the period of 1990 to 2005 with panel least square analysis were employed. It was revealed that corporate income tax affect loss provisions with negative implication on the stability of the bank system in European countries.

Albertazzi and Leonardo (2010) examined bank profitability and taxation in Italy. The study investigated how bank's activity is affected by the corporate income tax. Secondary data was sourced during the period 1981-2003 of listed banking sectors of the main industrialized in Italy. The finding showed that extent to which a bank is able to shift its tax-burden to its borrowers, depositors, and purchasers of fee generating services.

Jens and Schweltnus (2008) examined the effects of corporate income taxes on two of the main drivers of growth, profitability and investment of firms in European OECD member countries over the time period of 1996-2004; through stratified sampling. This is found to be true across firms of different size and age classes, except for young and small firms. The results suggest that corporate income taxes reduce investment through an increase in the user cost of capital. This may be partly explained by the negative profitability effects of corporate income taxes if there is an increase in the corporate tax rate.

2.3.2 Empirical Studies in Developing Countries including Nigeria

The study reviewed some of the past studies to prove that multiple taxes affect DMBs financial, budgetary and planning performance.

Omodero and Ogonnaya (2018) examined the impact of corporate tax on profitability of deposit money banks in Nigeria. The study used a casual research design and make use of twelve selected deposit money banks out of twenty banks quoted in Nigerian stock exchange bulletin as at year 2016 for the period of 2006-2016. Data was analyzed to show a relationship between the variable using multiple regression analysis and t-test with the use of SPSS. The study revealed strong positive relationship between company income tax (CIT) and firm performance.

Kurawa and Saidu (2018) *assessed the effect of company income tax on the financial performance of listed consumer goods companies in Nigeria from 2006-2016. Data for the study were collected from the annual reports and accounts of the companies and*

regression analysis was used as a technique for data analysis. The study discovered that there was an insignificant negative relationship between corporate tax and financial performance using return on assets as a measure. Age and risk however exhibits a positive but not significant relationship with ROA. Size on the other hand shows a positive and significant relationship with performance confirming prior expectations. According to Uwaloma, Uwuigbe and Francis (2013) some deposit money banks have wound up as a result of heaviness of multiple taxes imposed by various level of government which exceed its liquidity. High level of non-performing loans in the statement of financial position reduces bank's profitability and thereby affects performance of banks (Lawrence & Foluso, 2017), similarly; Jenkinson (2008) notes that banks are exposed to a large number of taxes which include company income or corporate tax, tertiary education tax, ICT tax, double taxation and treaty among others. This is as result of various policies aiming at increasing of government revenue. It is for this reason that an ideal tax policy needs to be adopted in order to ensure economic growth and proper utilization of resources. However this is not the case because taxes which are levied for regulating the investment behavior of the households and not for suffocating any entrepreneur initiative seem to be a major constraint to the development of the investments, they are out to cater for (Aderibigbe & Zachariah, 2014). Thus, it was concluded that, taxes have to be well managed in order to ensure banks survival and profitability. Banks survival greatly depends on the good policy and regulations on the part of the government. Meanwhile, profitability of these DMBs would have aid the sustainability of the sector if the multiple taxes are considerably controlled by the government.

Aguolu (2014) studies the impact of tax administration and financial performance in Nigeria. The study found that administration of tax may not be the most important sources of revenue to the government. Tax revenue contributes higher percentage of total income to the national economy. Perhaps, this will aid

higher income generated to the government coffer. However,

Gatsi, Gadzo and Kportorgbi (2013) studied **the effect of corporate income tax on financial performance of listed manufacturing firms. The study used** panel data methodology covering ten listed manufacturing firms over seven years to empirically determine the effect of corporate income tax on financial performance **in Ghana**. The purposeful sampling technique was used to select 10 manufacturing firms listed on the Ghana stock exchange from the periods 2005 to 2012. The data was collected primarily from the financial statement of the listed firm on the Ghana stock exchange. **It was** revealed that there is a significant negative relation between corporate income tax and financial performance. On the other hand, firms' size, age of the firm and growth of the firm show a significant positive relationship with financial performance.

Oladele and Agbaje (2013) examined the impact of corporate taxes on performance of selected companies quoted on the Nigerian Stock Exchange (NSE). Secondary data obtained from the annual reports of fifteen selected manufacturing listed companies listed, covered six years from 2010-2015. Study confirmed existence of significant relationship between corporate tax and performance of manufacturing companies in Nigeria. Also, a high corporate tax rate could impair profits; thereby distorting investment decision.

Oboh, Yeye and Isa (2013) examined the effect of multiple tax practices and taxpayers' non-compliance attitude in Nigeria, the Survey data obtained from the responses of 209 respondents and the correlation analysis was employed with the aid of a structured questionnaire were used to provide empirical evidence of the effects of multiple tax practices on taxpayers' compliance attitudes. The findings revealed that multiple tax practices significantly affect taxpayers' compliance attitude, and that multiple tax practices in Nigeria are corollaries of corruption, poor tax administration, greed and unfair revenue allocation formula, however, this

significantly aid an efficient and effective tax system in Nigeria.

John, Samuel and Holy (2013) studied effect of corporate income tax on financial performance of listed manufacturing firms in Ghana. Their study concluded that there is a significant negative relationship existing between corporate income tax and financial performance. On the other hand, firms' size, age of the firm, growth of the firm shows a significant positive relationship with financial performance. It was revealed that manufacturing companies should employ the services of tax experts to aid them in tax planning in other to reduce the net tax payment so as to increase their financial performance.

Salawu (2006) studied assessment of the revenue performance of companies income tax in Nigeria (1994 -2003) objective of the research was to assess the trends of revenue generated via the companies' income tax and by implication to evaluate the performance of the Federal Inland Revenue Service with respect to the administration and collections of companies' income tax in Nigeria. The study employed both primary and secondary sources of data which were used in generating the necessary data for and analyzed by the use of tables, chi-square and regression model of analysis. It was discovered that companies' income tax revenue generated had been improving significantly from year to year and that companies' income tax generation and administration had a significant impact on the development of the Nigerian economy between 1994 and 2003.

3.0 Methodology

An econometric model was formulated to achieve the objectives of this study. The model evaluated the effects of multiple taxes on Return on Equity (ROE) of the selected deposit money banks (DMBs) in Nigeria. The effect of multiplicity taxes on Return on Asset (ROA) of the selected deposit money banks (DMBs) in Nigeria was achieved by adopting **Kurawa and Saidu's, 2018** model. It was modified by adding new variables in order to achieve the objectives of the study. The original model was specified as:

$$ROE = f(CIT, RISK, FAGE, SIZE) \dots\dots\dots (3.1)$$

The operational form of the model is stated thus:

$$ROE_t = \beta_0 + \beta_1CIT_t + \beta_2BRK_t + \beta_3FAG_t + \beta_4FSZ_t + \mu_t \dots\dots\dots (3.2)$$

Where, **ROE= Return on Equity; CIT= Company Income Tax; BRK= Business Risk FAG= Firm Age; FSZ= Firm Size;** β_0 = intercept; $\beta_1- \beta_4$ = Coefficient of the independent variables; μ = white noise or error term. **However**, the modified version of the model becomes:

$$ROE = f(CIT, EDT, ITT) \dots\dots\dots (3.3)$$

Where,
 ROE = Return on Equity; CIT = Company Income Tax; EDT= Educational Tax
 ITT= Information and Technology Tax

In its econometrics form, the model is re-specified as:

$$ROE = \beta_0 + \beta_1CIT_t + \beta_2EDT_t + \beta_3ITT_t + \mu_t \dots\dots\dots (3.4)$$

3.1 Research Design

This study employed quantitative and ex-post-factor research design to examine the effects of multiple taxes on the performance of deposit money banks in Nigeria. Eighteen deposit money banks listed as at December 2018 were used as the population out of which seven (7) best banks were selected for the study using purposive sampling technique ([https:// lists.ng/top-7-best-banks-in-nigeria-2019](https://lists.ng/top-7-best-banks-in-nigeria-2019)). The seven (7) deposit money banks selected are sufficient for the study to draw a generalized decision because they reliably represented approximately 39% of the study population which is above the 30% in general threshold (Studenmund, 2000 & Mansuri, 2012). The selected DMBs are First Bank Plc, Zenith Bank Plc, Guaranty Trust Bank Plc, Access Bank Plc, United Bank for Africa, Ecobank Nigeria Plc and Fidelity Bank Plc.

Panel regression model is adopted for data

analysis while generalized ordinary least square (OLS) method of regression is used. The independent variables are taxes and other macroeconomic variables influencing and constituting multiplicity taxes on deposit money banks (DMBs). The population of the study comprised all the quoted eighteen (18) deposit money banks in the Nigerian stock exchange as at December 2018. The sample size comprised seven top banks (7) deposit money banks in Nigeria rated February 2019 ([https:// lists.ng/top-7-best-banks-in-nigeria-2019](https://lists.ng/top-7-best-banks-in-nigeria-2019)) which were selected through a purposive sampling technique. They Are: First bank Plc, Zenith bank, GT bank, Access Bank, UBA bank, Fidelity and Eco bank.

A pretest was conducted on the time series data to ensure the normality of the data. Descriptive statistics such as minimum, maximum, mean, standard deviation, kurtosis, skewness and Jacque Bera to test the normality of the data. The validity and reliability of secondary data used is assured because they are extracted from audited annual financial reports of the selected DMBs, Federal Inland Revenue Services and Nigeria Stock Exchange data banks. Additionally, it presents the correlation test, diagnostic tests and the panel least square hypotheses testing as well as the Hausman test results and the panel least square coefficients.

4.0 Data Presentation, Analysis and Interpretation

The objective of this chapter is to provide and discuss the result of the study, which includes survey responses and unbalanced panel data (2009-2018). This section also discusses the basic assumption of Panel Least Square. Descriptive statistics such as minimum, maximum, mean, standard deviation, kurtosis, Skewness and Jacque Bera. Additionally, it presents the correlation test, diagnostic tests and the panel least square hypothesis testing as well as the Hausman Test results and the Panel Least Square coefficients.

Table 4.1: Descriptive Statistics for Secondary data

	ROE	CIT	TET	ITT
Mean	11.267	6983788.	132553.0	51427.93
Maximum	32.61000	5007593	956062.8	462751.9
Minimum	-9.600	-157407	25.500	76.890
Std. Dev.	9.266250	1233187	297829.7	130775.1
Skewness	0.163325	1.673229	1.927912	2.472091
Kurtosis	2.265135	5.576569	4.999716	7.393658
Jarque-Bera	1 1.88627	52.02601	55.02655	127.6017
Probability	0.009402	0.000000	0.000000	0.000000
Observations	70	70	70	70

Source: Author's computation, 2020

From 4.1, the returns on equity (ROE) the banks investigated had a mean of 11.267 with minimum and maximum values of 32.5 and -9.6 which is low and below the mean respectively, and a standard deviation of 9.26. The mean of company income tax (CIT) stood at N6983788, having minimum and maximum values of (#157407) and N5007593 with a standard deviation of N1233187. Also, the mean of Tertiary education tax (TET) stood at N132553 for periods investigated, with a standard deviation of N297829. Lastly, Information technology tax means (ITT) stood at 51427.93 with a minimum and maximum

value of N76.890 and N462751.9 respectively, also with a standard deviation of N130775.1

Furthermore, the Skewness and Kurtosis shows whether there is any departure from normality in the series. The Skewness statistics which suggests that the data was positively skewed, and the kurtosis which shows the peakedness of the distribution was mesokurtic in nature. To further strengthen this, the Jarque-Bera statistics, test of normality was statistically significant for all variables at 5% (JB {Prob.}<0.05). This implies that the series is normally distributed and fit-in to process the findings.

Table 4.2.1 *Correlation Matrix*

Correlation Probability	ROE	CIT	TET	ITT
	1.000000 -----			
ROE	-0.107538 0.1451			
CIT	0.118547 0.1080	1.000000 -----		
TET	0.264422 0.0003	0.208141 0.0045	1.000000 -----	
ITT	0.272184 0.0002	0.003971 0.9572	0.238597 0.0011	1.000000 -----

The results of the correlation analysis are presented in Table 4.2.1 The correlation coefficients are mixed with some variables reporting positive coefficients ROE and CIT (0.118547); ROE and TET (0.264422); ROE and ITT (0.272184) while others were reporting negative coefficients (ROE (-0.107538); The strength of relationship between variables measured by the Pearson product moment correlation showed that the

association between the variables is relatively small and was below the threshold of 0.80, suggesting absence of the problem of multicollinearity in the predictor variables.

4.4.2 Multivariate Analyses

The Hausman test was done to know whether to use either the fixed effect or the random effect.

Table 4.4.2 *Hausman Test*

Correlated Random Effects - Hausman Test			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.905200	5	0.0380

Source: Author's computation, 2020

From the result presented in Table 4.2.6 above the probability of the Hausman test was less than 0.05 ($p < 0.05$), this implies that

researchers were interpreted the result using the fixed effect; therefore the random effect is discarded and ignored.

Table 4.4.3 *Panel Least Square*

Dependent Variable: ROE
 Method: Panel Least Squares
 Sample: 2009 2018
 Cross-sections included: 70
 Total panel (balanced) observations: 185

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.169135	2.185650	0.181206	0.4154
CIT	-0.511624	0.127582	-4.010147	0.0001
TET	6.276715	7.428195	0.844985	0.3996
ITT	0.161401	0.128503	1.256009	0.2112

Effects Specification

Cross-section fixed (dummy variables)
 Period fixed (dummy variables)

R-squared	0.360063	Mean dependent var	-0.058600
Adjusted R-squared	0.152889	S.D. dependent var	0.579495
S.E. of regression	0.533359	Akaike info criterion	1.792172
Sum squared resid	39.54161	Schwarz criterion	2.592909
Log likelihood	-119.7759	Hannan-Quinn criter.	2.116691
F-statistic	1.737977	Durbin-Watson stat	1.779269
Prob(F-statistic)	0.007924		

Source: Author's computation, 2020

The results of the panel least square as presented in Table 4.27 shows that there exist a statistically significant negative relationship between company income tax (CIT) and banks financial performance $T(1, 70) = -4.01$, $\beta_1 = -0.511$, $p = 0.001$. This implies that a unit increase in CIT will reduce the financial performance of bank by -0.511. The result therefore rejects the null hypothesis that Company income tax compliance has no significant influence on performance of **DMBs in Nigeria (ROA)**.

In contrast to the first result, there exist a statistically insignificant but positive relationship between tertiary education tax and (TET) and financial performance of banks (ROE), $T(1, 70) = 0.844$, $\beta_2 = 6.27$, $p = 0.399$. This implies that units increase in information technology tax will not increase financial performance of banks by 6.27. The study therefore accepts the null hypothesis that tertiary education tax compliance has no significant influence on performance of **DMBs in Nigeria**

Lastly, **Information Technology Tax (ITT)** was found to be statistically insignificant and positively related to financial performance of banks, $T(1, 70) = 1.256$, $\beta_3 = 0.161$, $p = 0.211$. This implies that a unit increase in ITT will not increase the financial performance of banks by 0.161. The result therefore accepted the null hypothesis that **Information & communication tax compliance** has no significant relationship on profitability of **DMBs in Nigeria (ROE)**.

The study found out that company income tax had a negative relationship on the performance of listed banks. This finding is consistent with the works of Becker and Holmes (2013), Gatsi, Gadzo and Kportorgbi (2013), John, Samuel and Holy (2013), **Oladele and Agbaje (2013)**, Jens and Schwellnus (2008) and Lazar and Istrate, (2018) who found that corporate income taxes reduce investment through an increase in the user cost of capital. This position is in contrast with the findings of **Kurawa and Saidu (2018)**, that *insignificant negative relationship exist between corporate tax and financial performance using return on assets as a measure. However, Salawu, (2006)*

averred that companies' income tax generation and administration had a significant impact on the development of the Nigerian economy. The result of the Panel least squares also revealed that both tertiary education tax and information and communication technology tax had a positive and insignificant relationship on the financial performance of listed banks.

From the result of the study, the theories underpinning the study are ability to pay and agency cost theories. The result of the study support the ability to pay theory which says taxes should be based on tax payers' ability to pay. There is an inverse negative relationship between tax burden and DMBs financial performance. Hence from the result of the study, CIT shows an inverse relationship with ROE and with negative coefficient of -4.010147 and -0.51162 but significant @1% (see Table 4.4.3). This connotes tax burden increases in form of CIT and there is a reduction in the performance of DMBs in Nigeria. This will directly affect the banks customers' which negates the agency cost theory. Thus, in case of multiple taxes that perhaps affect the reporting profit it may jeopardize the interest of the investors in the company and the management.

However, TET and ITT have a positive relationship with DMBs profitability in Nigeria, meaning that, taxes payable are signal to future prospect of providing sophisticated tools by the government. Multiplicity taxes paid and profitability have negative relationship.

1.5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The study examined the effect of multiplicity taxes on **profitability of selected DMBs in Nigeria**. It however achieved this through specific objectives which include evaluation of the influence of company income tax on the performance of DMBs; examination of the degree at which ICT tax that is ITT compliance affects the performance of DMBs; and assessment of the extent tertiary education tax (TET) affects the profitability of DMBs in Nigeria.

The study was anchored on the ability to pay theory and agency theory. Following from this, the study modified models to explain the effect of multiplicity taxes on **profitability of selected DMBs in Nigeria**. Secondary data gotten from the Nigeria stock exchange was used and was summarized (descriptive Statistics) and inference was made. The Panel least squares was employed as statistical estimates in the study after all assumptions were duly fulfilled. The result from the analyses gave mixed results on the subject matter and deviate a little from our a priori expectations. From the empirical analysis, company income tax was found to be negatively related to **financial performance of banks investigated**, while both tertiary education tax and information technology tax had no relationship with the **financial performance of DMBs investigated**.

5.2 Conclusion

Based on the findings of the study, we concluded that multiple taxes partially affect **financial performance of the listed deposit money banks** because only company income taxes negatively affect **financial performance of the banks**.

5.3 Recommendations

Based on the findings of this study the following recommendations are made:

1. Regulatory and relevant tax authority should reduce company income taxes so as to improve the performance of deposit money banks;
2. DMBs should be encouraged to pay tertiary education tax by government providing basic amenities for tertiary institutions in the federation;
3. Information and communication technology tax should be increased, so to increase the tax base of the federal government in order to aid government in providing sophisticated technology amenities for the tax payers.

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