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Corporate Governance, Deferred Tax Disclosure and the Moderated Value Relevance of Accounting Information in Nigerian Commercial Banks

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Abstract: Deferred tax is among the most judgemental items in bank financial statements, and its usefulness to investors depends on the credibility of the processes that produce it. This study examined two related questions in Nigerian commercial banks. First, do audit committee independence and board diversity, as components of corporate governance, influence deferred tax disclosure? Second, does corporate governance moderate the relationship between IAS 12 income tax disclosure and the value relevance of accounting information? Using an ex-post facto design and audited annual reports of 18 listed commercial banks for 2014 to 2023 (180 bank-year observations), the study estimates fixed-effects panel regressions with bank and period effects. Audit committee independence had a positive and significant effect on deferred tax disclosure (coefficient = 4.659, t = 3.205, p = 0.0016), while board diversity had a negative and significant effect (coefficient = -17.462, t = -2.080, p = 0.0392). In the moderation model, the interaction between current tax and audit committee independence is positive and significant (coefficient = 0.036, t = 14.457, p = 0.0000), and the interaction between deferred tax and board diversity is negative and significant (coefficient = -0.043, t = -3.434, p = 0.0008). Both null hypotheses are therefore rejected. The evidence suggests that governance does not act uniformly: independent audit committees amplify the market's response to current tax disclosure, whereas board diversity, as measured here, is associated with lower deferred tax disclosure and a weaker pricing of deferred tax. Banks should pair board diversity with relevant tax and financial reporting expertise, and regulators should emphasize audit committee independence in disclosure oversight.

Keywords: *Corporate Governance, Deferred Tax Disclosure, Moderation, Audit Committee Independence, Board Diversity, Value Relevance, Nigerian Commercial Banks.*

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I. INTRODUCTION

Deferred tax arises because the profit that banks report to shareholders is not the same as the profit on which they pay tax. The difference is recognized as deferred tax assets and liabilities, whose measurement depends on estimates of future profitability and reversal patterns. This makes deferred tax a likely issue for managerial discretion and, by the same token, a natural focus of governance. A systematic review of three decades of research on deferred taxes finds substantial evidence that various deferred tax items are value relevant, but limited evidence of earnings management through deferred taxes, and it notes that most of the evidence comes from the United States (Görlitz & Dobler, 2023). Other recent evidence suggests that the market may ignore deferred tax assets altogether in some settings (Zimmermann, 2024). It is therefore far from obvious how investors in an emerging banking market treat deferred tax, or what role governance plays in shaping the information that is provided.

Governance enters the picture at two levels. At the first level, the board and the audit committee influence what is disclosed: they review the estimates and judgements that underlie deferred tax balances and decide how much explanation to provide. At the second level, governance may change how the market responds to disclosure that has already been made. Investors are likely to place more confidence in tax numbers that were reviewed by an independent committee than in numbers that were not. In statistical language, governance may moderate the relationship between income tax disclosure and the value relevance of accounting information. Moderation of this kind is a common way to examine whether the effect of one variable depends on the level of another (Hayes, 2022).

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The two governance mechanisms studied here are audit committee independence and board diversity. Research on audit committee attributes adopts an agency perspective in which independent oversight improves reporting quality (Raimo et al., 2021), and reviews of archival work link governance mechanisms to the incidence of financial misconduct (Velte, 2023). Board diversity is more complicated. Gender-diverse boards have been shown to influence corporate decisions (Atif et al., 2021), and the consequences of diversity may depend on whether a critical mass of women directors has been attained (Yarram & Adapa, 2021). Findings for Nigerian banks are not uniform: women on the board have a positive but non-significant effect on firm value (Adebayo et al., 2022), while several board attributes have negative coefficients on Tobin's Q (Kafidipe et al., 2021). These mixed results suggest that diversity may influence different types of disclosure differently.

The context adds urgency. Nigerian banks are adjusting to increased minimum capital requirements (Central Bank of Nigeria, 2024) and to continuing changes in reporting requirements, including amendments to IAS 12 that add disclosure requirements for international tax reform (IFRS Foundation, 2023). In such an environment, the capacity of governance structures to deliver credible tax disclosure that the market can use is a matter of practical significance. Yet empirical work that treats deferred tax disclosure as an outcome of governance, and that tests the moderating role of governance in the pricing of tax information, is scarce for Nigeria.

This paper fills the gap through two objectives: to determine the influence of corporate governance on deferred tax disclosure in Nigerian commercial banks, and to ascertain the moderating effect of corporate governance on the relationship between IAS 12 income tax disclosure and the value relevance of accounting information. The research questions are: what influence does corporate governance have on deferred tax disclosure, and what is the moderating effect of corporate governance on the relationship between IAS 12 income tax disclosure and value relevance of accounting information in Nigerian commercial banks? The following null hypotheses are tested:

- H_{01}: Corporate governance does not play any significant role in deferred tax disclosure of Nigerian commercial banks.
- H_{02}: Corporate governance does not significantly moderate the relationship between IAS 12 income tax disclosure and value relevance of accounting information in Nigerian commercial banks.

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Conceptual Review

- *Deferred Tax Disclosure*

Deferred tax disclosure covers the recognition, measurement and explanation of deferred tax assets and liabilities under IAS 12. Deferred tax liabilities arise when taxable profit is expected to exceed accounting profit in the future, for example because of accelerated capital allowances, while deferred tax assets arise when the opposite is expected. In this study deferred tax is measured as deferred tax liabilities divided by total assets, which scales the balance for the size of the bank. The conceptual debate about deferred tax has long centered on whether the balances represent real obligations and economic resources or merely accounting allocations. The empirical literature, reviewed by Görlitz and Dobler (2023), documents that investors price many deferred tax items but that results differ with the item, the standard and the setting, and a recent single-country analysis finds no significant effect of deferred tax assets on market value (Zimmermann, 2024).

The judgemental nature of deferred tax makes disclosure quality particularly dependent on the people who review it. Estimates of the recoverability of deferred tax assets and the expected timing of reversals can be influenced by managers' incentives, and users generally have limited ability to verify them independently. Disclosure that explains the nature and timing of deferred tax balances therefore requires internal oversight to be credible. This is the rationale for treating deferred tax disclosure as an outcome that governance can influence.

- *Corporate Governance: Audit Committee Independence and Board Diversity*

Corporate governance is the set of mechanisms through which owners direct and control managers. In this study two mechanisms are examined. Audit committee independence is the proportion of independent members on the committee that oversees financial reporting, and board diversity is the proportion of women and minority shareholders among directors. The two operate through different channels. Independence acts through detachment from management, which strengthens the ability to question accounting judgements. Diversity acts through the range of perspectives and experience brought to the boardroom, which can improve deliberation but can also make it more difficult to reach consensus on technical matters if the mix of skills is not aligned with the board's tasks.

The literature offers several signals on how these mechanisms might behave. Independent oversight is generally related to better reporting outcomes, as discussed in reviews of governance and financial misconduct (Velte, 2023) and in studies of audit committee attributes (Raimo et al., 2021). For Nigerian banks, governance has been related to the faithful representation of financial reporting (Ajibade et al., 2022), and board independence and audit committee financial expertise have been related to reporting quality (Oyerogba et al., 2024). For diversity, the evidence is more varied. Diversity can influence corporate decisions (Atif et al., 2021), but its effects can depend on critical mass (Yarram & Adapa, 2021), and the Nigerian banking studies reviewed above report non-significant or negative relationships with firm value in some specifications (Adebayo et al., 2022; Kafidipe et al., 2021).

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- *Moderation and Value Relevance*

A moderating variable changes the strength or direction of the relationship between an independent variable and a dependent variable (Hayes, 2022). In the present study, the relationship of interest is between income tax disclosure and the value relevance of accounting information, and the moderating variable is corporate governance. If governance moderates this relationship, then the extent to which share price reflects tax information will depend on the quality of governance. The notion is consistent with the view that the economic effects of disclosure depend on the incentives and enforcement environment surrounding the reporting firm (Christensen et al., 2021). It also fits the observation that the value relevance of accounting information is not uniform and has evolved in complex ways (Barth et al., 2023).

- *Conceptual Framework*

Figure 1 shows the conceptual framework. Corporate governance, represented by audit committee independence (ACI) and board diversity (BD), is hypothesized to influence deferred tax disclosure (DT); this is the relationship tested in H1. Income tax disclosure, represented by current tax (CT) and deferred tax (DT), is hypothesized to be related to the value relevance of accounting information, measured by share price (SP). Corporate governance is further hypothesized to moderate this relationship, as shown by the arrow from governance to the path between income tax disclosure and share price; this is the relationship tested in H2.

Two interaction terms operationalize the moderation. The first pairs current tax with audit committee independence (CT x ACI) and reflects the expectation that independent oversight changes the market's response to current tax. The second pairs deferred tax with board diversity (DT x BD) and reflects the expectation that board diversity changes the market's response to deferred tax. The framework therefore combines a direct path, in which governance is related to the disclosure of deferred tax, and a conditional path, in which governance changes how disclosure is priced.

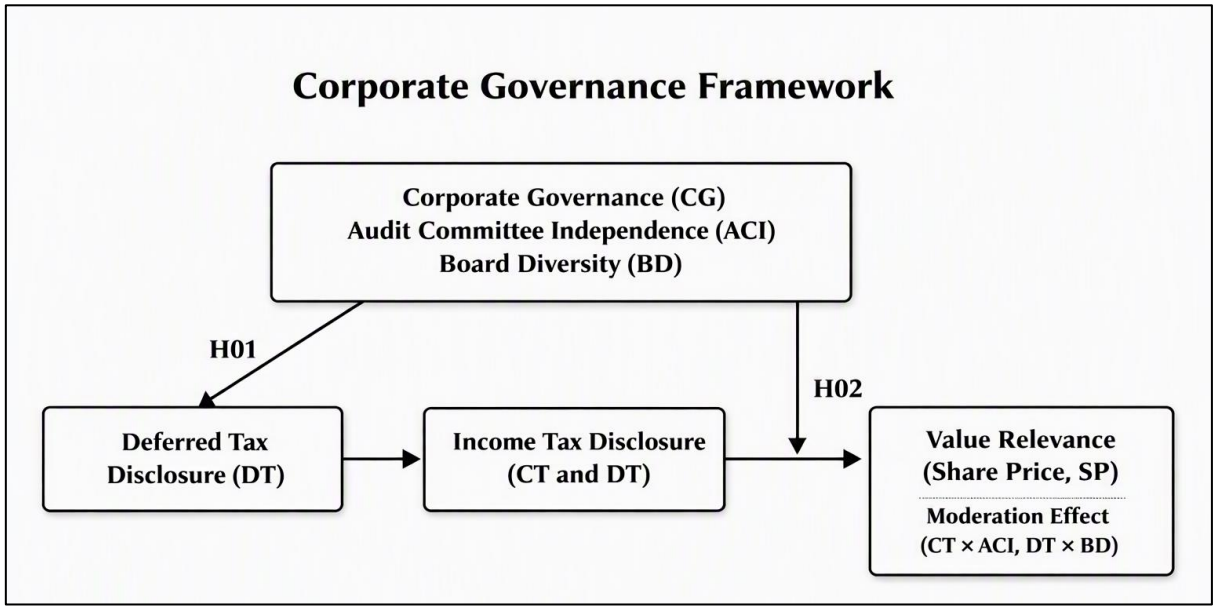


Fig 1 Corporate Governance, Deferred Tax Disclosure and the Moderated Value Relevance of Accounting Information

➢ *Theoretical Framework*

Agency theory suggests that the separation of ownership and control creates information asymmetry and that governance mechanisms are put in place to reduce it. For deferred tax, which is based on estimates, the risk of opportunistic judgement is real, and independent oversight should help to curb it. Hence, audit committee independence is expected to raise the quality of deferred tax disclosure and to increase the credibility of tax information generally.

Stakeholder theory regards the firm as a network of relationships and holds that value is created by serving the interests of different constituencies; recent work connects this view with the resource-based perspective by showing how stakeholder relationships create competitive advantage (Freeman et al., 2021). A diverse board represents a broader set of constituencies, which should improve responsiveness to stakeholder information needs. However, stakeholder theory also recognizes that managing multiple interests is difficult, so that diversity may create competing priorities. This gives a theoretical basis for the possibility that diversity does not uniformly increase the emphasis on technical items such as deferred tax.

Signalling theory concerns the transmission of credible information from informed insiders to outsiders. The usefulness of a signal depends on its observability and credibility (Bafera & Kleinert, 2023). Under this approach, an independent audit committee strengthens the credibility of tax disclosure signals, so that the market is likely to respond more strongly to current tax information when independence is high. By contrast, if diversity is not accompanied by relevant expertise, it may not enhance the credibility of deferred tax signals, and may even weaken the market's perception of them.

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➢ *Empirical Review and Hypotheses Development*

- *Corporate Governance and Deferred Tax Disclosure*

Empirical work that links governance to deferred tax disclosure in Nigerian banks is limited, but related evidence is informative. Governance has been found to influence the value of listed banks (Adebayo et al., 2022), to shape the faithful representation of reports (Ajibade et al., 2022) and to be associated with the quality of sustainability reporting in listed financial institutions (Oyerogba et al., 2024). The audit committee literature relates committee attributes to reporting quality (Raimo et al., 2021). Evidence on deferred tax itself highlights its sensitivity to judgement and its uneven pricing across settings (Görlitz & Dobler, 2023). Together, these evidence suggests, that governance structures are likely to affect how deferred tax is reported, although the direction for each mechanism cannot be inferred from the literature alone. The first hypothesis is therefore stated in null form: corporate governance does not play any significant role in deferred tax disclosure of Nigerian commercial banks.

- *Moderating Role of Corporate Governance*

The hypothesis that governance moderates the pricing of tax information follows from the idea that the credibility of disclosure influences how investors use it. The disclosure literature indicates that the effects of reporting depend on incentives and enforcement (Christensen et al., 2021), and the research on value relevance shows that the relation between accounting information and prices varies across items and over time (Barth et al., 2023). If governance affects the credibility of tax information, then the response of share price to current and deferred tax should differ with the level of governance. The study tests this by interacting current tax with audit committee independence and deferred tax with board diversity. The second hypothesis is stated in null form: corporate governance does not significantly moderate the relationship between IAS 12 income tax disclosure and value relevance of accounting information in Nigerian commercial banks.

III. METHODOLOGY

➢ *Research Design, Population and Sample*

The study used an ex-post facto design, which is suitable for analysing data that were already generated and recorded in published sources. The population consisted of the listed commercial banks approved by the Central Bank of Nigeria and traded on the Nigerian Exchange at 31 December 2023. Purposive sampling selected banks with complete audited annual reports over 2014 to 2023, and banks that entered the market during the period were excluded. The final sample included 18 banks and ten years, which gave a balanced panel of 180 observations.

➢ *Data and Measurement of Variables*

Secondary data were extracted from the audited annual reports of the sampled banks. Annual financial statements are prepared periodically under statutory requirements and are the main formal channel of corporate communication, which makes them a suitable and comparable data source for panel research. Table 1 summarizes the variables and how they were measured.

Table 1 Measurement of Variables

Variable	Measurement	Data source
Deferred Tax (DT)	Deferred tax liabilities divided by total assets	Annual reports
Current Tax (CT)	Income tax expense divided by profit before tax	Annual reports
Audit Committee Independence (ACI)	Independent audit committee members divided by total audit committee members	Annual reports
Board Diversity (BD)	Number of women and minority shareholders on the board divided by total board members	Annual reports
Share Price (SP)	Price at which a share traded on the Nigerian Exchange at 31 December	NGX records

(Sources: Researcher's Computation, 2026)

Table 1 shows that deferred tax is the dependent variable in the governance model, and share price is the dependent variable in the moderation model. Current tax and deferred tax are the two components of IAS 12 income tax disclosure. Audit committee independence and board diversity are the two metrics of corporate governance. Each variable is expressed as a ratio, so that bank size does not dominate comparisons across the panel.

➢ *Model Specification and Estimation Technique*

For Hypothesis 1, deferred tax disclosure is regressed on the governance variables: $DT(it) = \alpha + \beta 1\ ACI(it) + \beta 2\ BD(it) + \varepsilon(it)$. For Hypothesis 2, share price is regressed on the interaction terms: $SP(it) = \alpha + \beta 1\ (CT \times ACI)(it) + \beta 2\ (DT \times BD)(it) + \varepsilon(it)$. Here i denotes the bank, t the year, α the constant, β the slope coefficients and ε the error term. The decision rule is to reject a null hypothesis when the probability value of the relevant coefficient is below 0.05. A significant interaction coefficient is taken as evidence of moderation (Hayes, 2022).

Estimation is by panel least squares with fixed effects, because the Hausman test favours the fixed-effects estimator. Panel methods control for unobserved heterogeneity among banks and improve the precision of estimates (Baltagi, 2021). Preliminary analysis included descriptive statistics with the Jarque-Bera test, a correlation matrix and variance inflation factors, and the Durbin-Watson statistic was examined for serial correlation. EViews 9 was used for the computations.

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IV. RESULTS AND DISCUSSIONS

➢ *Descriptive Statistics*

Table 2 Descriptive Statistics of the Study Variables

Variable	Mean	Std. Dev.	Maximum	Minimum	Jarque-Bera	Obs.
SP	21.460	2.380	27.500	15.000	0.422	180
CT	19.736	2.840	28.000	13.500	2.650	180
DT	5.187	0.751	7.200	3.500	1.413	180
CG	0.812	0.077	1.000	0.650	2.878	180
BD	0.418	0.045	0.510	0.300	3.382	180
ACI	0.734	0.079	0.900	0.550	5.238	180

(Sources: Researcher's Computation, 2026)

Table 2 reports descriptive statistics for 180 observations. Deferred tax has a mean of 5.187 and a standard deviation of 0.751, with a range of 3.500 to 7.200, which shows that deferred tax balances are relatively stable across banks. Current tax has a mean of 19.736 and a standard deviation of 2.840, with values between 13.500 and 28.000. Share price averages 21.46, with a standard deviation of 2.38 and values from 15.00 to 27.50. The composite governance score has a mean of 0.812 and ranges from 0.650 to 1.000, which indicates generally high governance scores across the sampled banks.

Board diversity has a mean of 0.418 and a standard deviation of 0.045, ranging from 0.300 to 0.510, and audit committee independence has a mean of 0.734 and a standard deviation of 0.079, ranging from 0.550 to 0.900. Thus, on average, about 41.8 per cent of board members are women or minority representatives and about 73.4 per cent of audit committee members are independent. The Jarque-Bera statistics lie between 0.422 and 5.238, all below the 5 per cent critical value of 5.99 with two degrees of freedom, so normality is not rejected for any variable. The modest standard deviations of the governance variables imply that the regression estimates rely on relatively narrow variation in governance, which is relevant to the size of the coefficients reported below.

➢ *Correlation Analysis*

Table 3 Correlation Matrix of the Study Variables

Variable	SP	CT	DT	ACI	BD
SP	1.000				
CT	0.759	1.000			
DT	0.778	0.772	1.000		
ACI	0.522	0.278	0.667	1.000	
BD	0.748	0.689	0.668	0.676	1.000

(Sources: Researcher's Computation, 2026)

Table 3 shows that deferred tax is strongly correlated with share price (0.778) and with current tax (0.772). Deferred tax is also correlated with audit committee independence (0.667) and board diversity (0.668), which suggests that both governance mechanisms are associated with the level of the deferred tax measure at the bivariate level. Audit committee independence and board diversity are correlated at 0.676. The correlations between share price and the two governance variables are 0.522 for independence and 0.748 for diversity. These relationships are positive throughout, which indicates that the variables tend to move together. The bivariate signs, however, do not anticipate the negative coefficient on board diversity in the deferred tax regression reported below, which shows that the association changes once the two governance variables, bank effects and period effects are considered together.

➢ *Multicollinearity and Model Selection Tests*

Table 4 Variance Inflation Factors

Variable	Coefficient variance	Uncentred VIF	Centred VIF
C	0.028	1290.171	NA
CT	0.038	2897.821	6.669
DT	0.032	735.733	6.019
ACI	0.023	577.507	6.616
BD	0.078	627.969	7.139

(Sources: Researcher's Computation, 2026)

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Table 4 reports the variance inflation factors. The centered values are 6.669 for current tax, 6.019 for deferred tax, 6.616 for audit committee independence and 7.139 for board diversity. All are below 10, so severe multicollinearity is not present, although the values are higher than 5, which signals some shared variance. This is relevant for Hypothesis 1 because audit committee independence and board diversity are entered together and are correlated at 0.676. The coefficients should therefore be interpreted as partial effects, each conditional on the other variable.

Table 5 Hausman Test for Random Versus Fixed Effects

Test summary	Chi-square statistic	Chi-square d.f.	Probability
Cross-section random	9.666	4	0.0464

(Sources: Researcher's Computation, 2026)

Table 5 shows a Hausman chi-square statistic of 9.666 with four degrees of freedom and a probability of 0.0464. The null hypothesis that the random-effects model is appropriate is rejected at the 5 per cent level, so the fixed-effects estimator is used. This result means that unobserved characteristics of the banks are correlated with the explanatory variables, and that models which ignore them would produce biased coefficients.

Table 6 Fixed-Effects Estimates from the Hausman Test Equation

Variable	Coefficient	Std. error	t-statistic	Prob.
C	-0.098	0.469	-0.209	0.8347
CT	0.907	0.062	14.569	0.0000
DT	0.098	0.093	1.060	0.2906
BD	-2.531	3.116	-0.812	0.4178
ACI	5.737	1.642	3.494	0.0006
R-squared / Adj. R-squared	0.9955 / 0.9949			
F-statistic (Prob.)	1662.556 (0.0000)			

Dependent variable: SP. Estimation method: panel least squares with cross-section fixed effects; 18 banks, 10 years, 180 observations.

(Sources: Researcher's Computation, 2026)

Table 6 reports the fixed-effects estimates from the Hausman test equation, in which share price is explained by current tax, deferred tax, board diversity and audit committee independence. Current tax (coefficient 0.907) and audit committee independence (coefficient 5.737) are significant, while deferred tax (probability 0.2906) and board diversity (probability 0.4178) are not. The result anticipates the findings of this paper: audit committee independence and current tax are the variables that market prices most robustly reacts to, whereas deferred tax and board diversity have weaker direct links with share price. This is consistent with the idea that their roles are conditional and should be studied through interaction, which motivates the moderation model.

➢ *Test of Hypothesis One: Corporate Governance and Deferred Tax Disclosure*

Table 7 Fixed-Effects Regression of Corporate Governance on Deferred Tax Disclosure (Hypothesis 1)

Variable	Coefficient	Std. error	t-statistic	Prob.
C	9.060	3.023	2.997	0.0032
ACI	4.659	1.453	3.205	0.0016
BD	-17.462	8.393	-2.080	0.0392
R-squared	0.9678			
Adjusted R-squared	0.9619			
S.E. of regression	0.1465			
F-statistic (Prob.)	162.332 (0.0000)			
Durbin-Watson statistic	1.193			

Dependent variable: DT (deferred tax disclosure). Method: panel least squares; cross-section and period fixed effects; 18 banks, 2014–2023, 180 observations.

(Sources: Researcher's Computation, 2026)

Table 7 shows the estimates for Hypothesis 1. The coefficient of audit committee independence is 4.659, with a standard error of 1.453 and a t-statistic of 3.205 (probability 0.0016), which is significant at the 1 per cent level. The coefficient of board diversity is -17.462, with a standard error of 8.393 and a t-statistic of -2.080 (probability 0.0392), which is significant at the 5 per cent level but negative. The constant is 9.060 and is significant (probability 0.0032). Considering the scale of the variables, an increase of ten percentage points in the share of independent audit committee members is associated with an increase of about 0.47 units in the deferred tax measure, while an increase of five percentage points in board diversity is associated with a decrease of about 0.87 units. Relative to the standard deviation of deferred tax

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(0.751), these are moderate effects, and the diversity effect is of a similar order to one standard deviation of the dependent variable.

The R-squared is 0.9678 and the adjusted R-squared is 0.9619, with an F-statistic of 162.332 (probability 0.0000), so the model is jointly significant. The high R-squared reflects in large part the bank and period fixed effects. The Durbin-Watson statistic is 1.193, which suggests positive serial correlation in the residuals, and the standard errors are therefore likely to be understated. The probability of 0.0392 for board diversity in particular is close to the 5 per cent boundary and should be treated as moderate evidence. On the basis of the results, the null hypothesis that corporate governance plays no significant role in deferred tax disclosure is rejected, with audit committee independence having a positive influence and board diversity a negative influence.

➢ *Test of Hypothesis Two: Moderating Effect of Corporate Governance*

Table 8 Moderating Effect of Corporate Governance on Income Tax Disclosure and Value Relevance (Hypothesis 2)

Variable	Coefficient	Std. error	t-statistic	Prob.
C	2.627	0.033	79.721	0.0000
CT x ACI	0.036	0.003	14.457	0.0000
DT x BD	-0.043	0.012	-3.434	0.0008
R-squared	0.9923			
Adjusted R-squared	0.9908			
S.E. of regression	0.0108			
F-statistic (Prob.)	692.271 (0.0000)			
Durbin-Watson statistic	2.274			

Dependent variable: SP. Method: panel least squares; cross-section and period fixed effects; 18 banks, 2014–2023, 180 observations.

(Sources: Researcher's Computation, 2026)

Table 8 reports the moderation model. The interaction between current tax and audit committee independence (CT x ACI) has a coefficient of 0.036, with a standard error of 0.003 and a t-statistic of 14.457 (probability 0.0000). It is positive and significant at the 1 per cent level. This indicates that the positive relationship between current tax disclosure and share price is stronger in banks with more independent audit committees. The interaction between deferred tax and board diversity (DT x BD) has a coefficient of -0.043, with a standard error of 0.012 and a t-statistic of -3.434 (probability 0.0008). It is negative and significant, which indicates that higher board diversity is associated with a weaker relationship between deferred tax disclosure and share price. The constant is 2.627 and is significant (probability 0.0000).

The R-squared is 0.9923 and the adjusted R-squared is 0.9908, with an F-statistic of 692.271 (probability 0.0000), so the model is jointly significant. The Durbin-Watson statistic is 2.274, which is close to the value of 2 that indicates the absence of first-order autocorrelation, and it is an improvement on the statistics reported for the other models. As the model contains only the two interaction terms, the coefficients should be interpreted as the combined effect of each pair of variables and not as the isolated effect of one variable at fixed levels of the other. On the basis of the results, the null hypothesis that corporate governance does not significantly moderate the relationship between IAS 12 income tax disclosure and value relevance is rejected. The moderating effect is positive for audit committee independence in relation to current tax and negative for board diversity in relation to deferred tax.

Table 9 Summary of Hypothesis Tests

Hypothesis	Variable tested	Coefficient	Prob.	Decision
H1	ACI	4.659	0.0016	Null rejected
H1	BD	-17.462	0.0392	Null rejected
H2	CT x ACI	0.036	0.0000	Null rejected
H2	DT x BD	-0.043	0.0008	Null rejected

(Sources: Researcher's Computation, 2026)

Table 9 consolidates the findings. All four tested coefficients are significant at the 5 per cent level, and both null hypotheses are rejected. Figure 2 plots the t-statistics against the 5 per cent critical values. The interaction between current tax and audit committee independence has by far the largest statistic, and the other three statistics are beyond the critical band but with a smaller margin.

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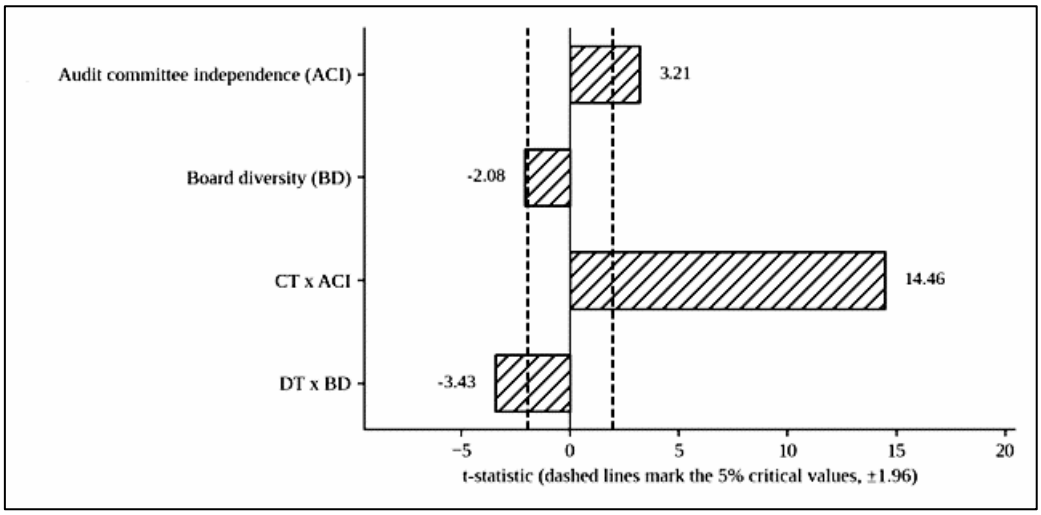


Fig 2 T-Statistics of the Estimated Coefficients
(Sources: Researcher's Computation, 2026)

➢ *Discussion of Findings*

- *Corporate Governance and Deferred Tax Disclosure*

The positive coefficient of audit committee independence is consistent with agency theory and with the evidence that independent oversight improves reporting outcomes (Raimo et al., 2021; Velte, 2023). Deferred tax requires judgement about future profits and the timing of reversals, and an independent committee is less likely to accept optimistic or poorly supported estimates and more likely to insist on clear disclosure. The finding is also in line with Nigerian evidence that governance is associated with the faithful representation of financial reporting (Ajibade et al., 2022) and with the quality of reporting in listed financial institutions (Oyerogba et al., 2024).

The negative coefficient of board diversity is less intuitive and must be handled with care. Several explanations are available. Under stakeholder theory, a diverse board must balance the expectations of several groups, and technical items such as deferred tax may receive less attention than issues with more immediate stakeholder interest (Freeman et al., 2021). Diversity, as measured here, includes women and minority shareholders, and it does not capture the professional expertise of directors; if diverse directors are not matched with tax or accounting experience, the board may be less able to insist on detailed deferred tax disclosure. Evidence that the effects of diversity depend on critical mass (Yarram & Adapa, 2021) suggests that the relationship may be non-linear, so that a linear coefficient could mask different effects at different levels of representation. Finally, the negative coefficient could reflect the interaction between diversity and audit committee independence, given their correlation of 0.676; the coefficient is a partial effect conditional on independence.

This result also fits the Nigerian banking studies in which diversity has not shown consistent positive effects: women on the board have a positive but non-significant effect on firm value (Adebayo et al., 2022), and several board attributes have been related negatively to Tobin's Q (Kafidipe et al., 2021). Nevertheless, a negative association with deferred tax disclosure is not evidence that diversity is undesirable. Because the study measured deferred tax by a balance scaled by total assets, a lower value may reflect lower deferred tax liabilities rather than poorer disclosure.

- *Moderating Role of Corporate Governance*

The positive interaction between current tax and audit committee independence supports the signalling and agency arguments. Where the committee is more independent, the current tax numbers that banks report are more credible, so that the market places a greater weight on them. The result is consistent with the idea that the economic effects of disclosure depend on the surrounding governance and enforcement environment (Christensen et al., 2021) and with the broader finding that the relationship between accounting information and prices is conditional and varies across items and settings (Barth et al., 2023). For banks, the implication is that the benefit of transparent current tax reporting is greater when the audit committee is independent, so that disclosure and governance are complements and not substitutes.

The negative interaction between deferred tax and board diversity indicates that more diverse boards are associated with a weaker pricing of deferred tax. Given the earlier finding that deferred tax is not independently significant in the share price model (Table 6), and given evidence from other markets that deferred tax is not always priced (Zimmermann, 2024), the result may mean that investors do not find deferred tax disclosures from banks with more diverse boards more informative. It may also mean that the diversity variable proxies for other bank characteristics, such as size or ownership, are absorbed only in part by the fixed effects. A systematic review of deferred tax research reminds us that the informativeness of deferred tax depends on the item and the context (Görlitz & Dobler, 2023), so a context-specific interaction is plausible.

It is important to note a feature of the specification. The moderation model includes the interaction terms but not the constituent variables (current tax, deferred tax, audit

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committee independence and board diversity) as separate regressors. Standard guidance on moderation recommends that the lower-order terms be included so that the interaction coefficient can be interpreted as a pure moderating effect (Hayes, 2022). Without them, the interaction coefficients may partly capture the main effects of the constituent variables. The results should therefore be regarded as indicating a significant joint relationship between the interaction terms and share price, and the formal evidence of moderation would be strengthened by re-estimating the model with the main effects included.

- *Implications*

The findings carry several implications. For boards and shareholders, the results suggest that the effect of governance mechanisms on tax reporting is not uniform: independence appears to help both the disclosure of deferred tax and the market's response to current tax, while diversity needs to be accompanied by relevant technical capability if it is to support the quality of complex disclosures. For regulators, the findings support an emphasis on audit committee independence in oversight of financial reporting, particularly during a period of recapitalization when banks seek investor confidence (Central Bank of Nigeria, 2024). For standard setters, the evidence that deferred tax is not independently priced suggests that disclosure that is more decision useful could help, an aim that is in line with the continuing development of IAS 12 disclosure requirements (IFRS Foundation, 2023).

V. CONCLUSION, RECOMMENDATIONS AND LIMITATIONS

➢ *Conclusion*

The study examined the role of corporate governance in deferred tax disclosure and in the relationship between IAS 12 income tax disclosure and value relevance in 18 Nigerian commercial banks over 2014 to 2023. Audit committee independence has a positive and significant effect on deferred tax disclosure, and board diversity has a negative and significant effect. In the moderation model, the interaction of current tax with audit committee independence is positive and significant, and the interaction of deferred tax with board diversity is negative and significant. Both null hypotheses are rejected. The study concludes that governance matters for tax disclosure and its pricing, but that the mechanisms do not act in the same direction.

➢ *Recommendations*

- Bank boards should strengthen the independence of audit committees, because independence is associated with better deferred tax disclosure and a stronger market response to current tax information.
- Banks that pursue board diversity should ensure that boards also include directors with tax, accounting and financial reporting expertise, so that diversity supports and does not dilute the oversight of technical disclosures.
- Management should improve the clarity of deferred tax notes, explaining the origin and expected reversal of balances, so that the information becomes more useful to investors.
- Regulators, including the Central Bank of Nigeria and the Financial Reporting Council of Nigeria, should reinforce audit committee independence requirements and monitor the quality of tax disclosures, particularly as new IAS 12 requirements are implemented.

➢ *Limitations and Suggestions for Further Research*

The study has limitations that suggest directions for future work. The sample is limited to listed commercial banks over ten years, so generalization to other sectors requires caution. Deferred tax is measured as a scaled balance, which is an indirect proxy for disclosure quality; a disclosure index based on the IAS 12 checklist would be a more direct measure. The moderation model omits the constituent variables, and the standard error of the regression (0.011) is far smaller than in the other share price regressions of the study (about 0.18 to 0.29), which suggests that the scale of the dependent variable in that model should be stated explicitly, for example if a logarithmic transformation was applied. Durbin-Watson statistics below 1.5 in the governance model indicate serial correlation that should be addressed through robust or dynamic estimators. Future studies could include main effects and additional controls, use disclosure indices, examine board expertise alongside demographic diversity, and test the non-linear effects of diversity.

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