impact International Journals and Publications

© IIJP 2026 | Volume 2, Issue 4, pp. 602-612 | ISSN: 2636-4484

EFFECT OF GOVERNANCE QUALITY ON TAX TRANSPARENCY OF INDUSTRIAL GOODS FIRMS IN NIGERIA

Eze Jane Nwanneka[1] & Eneh, Sylvia Nnenna, PhD[2]
[1&2]Department of Accountancy, Ignatius Ajuru University of Education, Port Harcourt
ezejane129@gmail.com[1] & enehnnenna71@slbs.edu.ng[2]

ARTICLE INFO
Article No.: 0669
Accepted Date: 11/10/2026
Published Date: 07/11/2026
Type: Research

ABSTRACT
This study examined the effect of governance quality on tax transparency of industrial goods firms in Nigeria over the period 2016–2025. Specifically, the study investigated the effect of board independence, audit committee effectiveness, and firm size on tax expense, used as a proxy for tax transparency. The study adopted an ex-post facto research design and employed purposive sampling technique. Secondary data were obtained from the audited annual reports and accounts of selected industrial goods firms listed on the Nigerian Exchange Group and analyzed using descriptive statistics and ordinary least squares regression analysis with the aid of EViews version 10.0. The findings revealed that board independence (coefficient = 5.625610; p-value = 0.0405 < 0.05) has a positive and statistically significant effect on tax expense, indicating that stronger board independence significantly enhances tax transparency among industrial goods firms in Nigeria. Audit committee effectiveness (coefficient = 3.667422; p-value = 0.2473 > 0.05) exhibited a positive but statistically insignificant effect on tax expense. Similarly, firm size (coefficient = 0.033915; p-value = 0.5904 > 0.05) showed a positive but statistically insignificant effect on tax expense. The model produced an adjusted R-squared value of 0.605954, implying that approximately 61% of variations in tax expense are explained by governance quality variables. The study concludes that governance quality significantly influences tax transparency of industrial goods firms in Nigeria, particularly through board independence. It recommends strengthening board independence, improving audit committee effectiveness through capacity development, and enhancing governance structures across firms regardless of size to improve tax transparency and financial reporting quality.

Keywords: Governance Quality, Board Independence, Audit Committee Effectiveness, Firm Size, Tax Expense and Tax Transparency

© IIJP 2026 | Volume 2, Issue 4, pp. 602-612 | ISSN: 2636-4484

1. Introduction

Corporate governance has become a central issue in modern financial reporting due to its influence on transparency, accountability, and the overall integrity of corporate financial decisions. In both developed and developing economies, governance quality is increasingly recognized as a key determinant of how firms manage resources, comply with regulations, and disclose financial information. Governance quality refers to the system of structures, processes, and mechanisms through which firms are directed and controlled in order to achieve organizational objectives while ensuring accountability to stakeholders. In developing economies such as Nigeria, the importance of governance quality is heightened by recurring concerns over weak regulatory enforcement, financial misreporting, and limited transparency in corporate disclosures. Industrial goods firms, which operate in capital-intensive and highly regulated environments, are particularly exposed to governance challenges due to their large-scale operations, complex financial structures, and significant tax obligations. Governance quality in such firms is commonly assessed through indicators such as board independence, audit committee effectiveness, and firm size, all of which influence the level of oversight and disclosure practices within organizations (Okonkwo & Ezeani, 2025).

Tax transparency, commonly proxied by tax expense disclosure in financial statements, reflects the degree to which firms openly report and comply with tax obligations. It is an important aspect of financial reporting transparency because it indicates the extent to which firms accurately report tax liabilities and related expenses in line with regulatory requirements. In Nigeria, concerns have been raised about inconsistencies in tax reporting, earnings management, and opacity in corporate tax disclosures, particularly among large industrial firms. This has made tax transparency a critical issue for regulators, investors, and policymakers (Nwafor & Chukwu, 2025). Board independence refers to the presence of non-executive directors who are not involved in day-to-day management but provide oversight and monitoring functions. A higher level of board independence is expected to enhance transparency by reducing managerial opportunism and improving financial disclosure quality. Audit committee effectiveness relates to the competence, independence, and diligence of the committee responsible for overseeing financial reporting and audit processes. Effective audit committees are expected to strengthen internal controls and improve tax reporting accuracy. Firm size, measured by total assets or revenue, reflects the scale of operations and is often associated with increased regulatory scrutiny and higher disclosure requirements (Ibe & Ugwu, 2026).

Industrial goods firms in Nigeria play a significant role in economic development through manufacturing inputs, construction materials, and industrial production support. These firms contribute substantially to government revenue through company income tax and other statutory obligations. However, they also face challenges such as weak governance structures, financial reporting inconsistencies, and varying levels of tax compliance. These challenges may influence the level of tax transparency observed in corporate financial statements (Obiora & Eneh, 2026). Despite the importance of governance mechanisms in enhancing transparency, there is still debate on how governance quality influences tax transparency among industrial goods firms in Nigeria. While some studies argue that strong governance structures improve disclosure quality, others suggest that firm size and complexity may increase opacity in tax reporting. Existing empirical literature has largely focused on earnings management and financial performance, with limited attention to tax transparency as a direct outcome of governance quality. This study therefore investigates the effect of governance quality on tax transparency of industrial goods firms in Nigeria.

© IIJP 2026 | Volume 2, Issue 4, pp. 602-612 | ISSN: 2636-4484

Statement of the problem

Corporate governance weaknesses remain a major concern in Nigeria's corporate sector, particularly in industrial goods firms where financial complexity and large-scale operations increase the risk of weak oversight and inadequate disclosure. Despite regulatory efforts by the Financial Reporting Council of Nigeria and other agencies, inconsistencies in financial reporting and tax disclosure practices continue to be observed. Industrial goods firms operate in an environment characterized by high production costs, regulatory pressures, and complex tax obligations. In such an environment, governance structures such as board independence and audit committee effectiveness are expected to enhance transparency and improve compliance with tax reporting standards. However, concerns remain about the effectiveness of these governance mechanisms in ensuring accurate and transparent tax expense reporting. Although tax transparency is essential for investor confidence, regulatory compliance, and fiscal accountability, the extent to which governance quality influences tax expense disclosure among industrial goods firms in Nigeria remains unclear. Existing empirical studies have focused mainly on firm performance and earnings quality, with limited attention to tax transparency as a specific outcome of governance quality. This study therefore addresses this gap by examining the effect of governance quality on tax transparency in Nigerian industrial goods firms.

Objectives of the study

The main objective of this study is to evaluate the effect of governance quality on tax transparency of industrial goods firms in Nigeria. Specifically, the study aims to:

i. Investigate the effect of board independence on tax expense of industrial goods firms in Nigeria.

ii. Assess the effect of audit committee effectiveness on tax expense of industrial goods firms in Nigeria.

iii. Examine the effect of firm size on tax expense of industrial goods firms in Nigeria.

Research questions

The study is guided by the following questions:

i. How does board independence affect tax expense of industrial goods firms in Nigeria?

ii. What effect does audit committee effectiveness have on tax expense of industrial goods firms in Nigeria?

iii. To what extent does firm size influence tax expense of industrial goods firms in Nigeria?

Statement of hypotheses

The following null hypotheses guided this Study:

i. Board independence has no significant effect on tax expense of industrial goods firms in Nigeria.

ii. Audit committee effectiveness has no significant effect on tax expense of industrial goods firms in Nigeria.

iii. Firm size has no significant effect on tax expense of industrial goods firms in Nigeria.

2. Review of related literature

Governance quality refers to the system of rules, practices, and processes through which firms are directed and controlled in order to ensure accountability, transparency, and effective decision-making. In corporate finance and accounting literature, governance quality is widely recognized as a critical determinant of financial reporting integrity and disclosure transparency. In developing economies such as Nigeria, governance quality is particularly important due to weak institutional enforcement, information asymmetry, and persistent concerns about corporate reporting quality. Key dimensions of governance quality include board independence, audit

committee effectiveness, and firm size, all of which influence the extent to which firms comply with financial reporting standards and disclose tax-related information. Although taxation remains a major obligation for corporate entities, the quality of governance structures significantly determines the level of transparency in tax expense reporting and financial disclosures (Ezeani & Chukwuka, 2025). The industrial goods sector plays a strategic role in Nigeria's economic development through manufacturing inputs, infrastructure development support, and industrial production activities. Firms in this sector are typically large, capital-intensive, and subject to extensive regulatory and tax obligations. Despite their importance, industrial goods firms operate in an environment characterized by weak governance enforcement, financial reporting inconsistencies, and varying levels of compliance with disclosure standards. These challenges may affect the transparency of tax expense reporting, thereby influencing investor confidence and regulatory oversight (Nwosu & Amadi, 2024).

Board independence refers to the presence of non-executive directors who are not involved in the daily management of the firm but provide oversight and monitoring functions. A higher level of board independence is expected to enhance financial reporting quality by reducing managerial opportunism and improving disclosure transparency. In relation to tax transparency, independent boards are more likely to enforce strict compliance with tax reporting standards and discourage aggressive tax reporting practices that obscure true tax obligations (Okonkwo & Ugwu, 2025).

Audit committee effectiveness refers to the ability of the audit committee to perform its oversight functions in ensuring the integrity of financial reporting, internal control systems, and compliance with regulatory requirements. An effective audit committee enhances transparency by ensuring accurate tax reporting, reviewing tax-related disclosures, and strengthening internal control mechanisms. Weak audit committees, on the other hand, may lead to poor oversight, earnings manipulation, and reduced tax transparency (Ezeugwu & Nnaji, 2024).

Firm size represents the scale of a firm's operations, typically measured by total assets, revenue, or market capitalization. Larger firms are often subject to higher regulatory scrutiny, stricter compliance requirements, and greater public attention, which may compel them to adopt higher levels of transparency in tax reporting. However, large firm size may also increase complexity in financial reporting, potentially creating opportunities for tax opacity if governance mechanisms are weak (Chukwu & Nwachukwu, 2026). Tax transparency, commonly proxied by tax expense reporting, reflects the extent to which firms accurately disclose their tax obligations in financial statements. It is a key indicator of financial reporting quality and corporate accountability. High tax transparency implies that firms fully disclose tax expenses in compliance with accounting standards, while low transparency may indicate earnings manipulation, tax avoidance strategies, or weak disclosure practices. In emerging markets like Nigeria, concerns about tax transparency are heightened due to inconsistent reporting practices and limited enforcement of disclosure regulations (Ifeanyi & Obiora, 2025).

In Nigeria's industrial goods sector, firms are exposed to significant tax obligations due to their scale of operations and contribution to national development. As a result, accurate tax reporting is essential for regulatory compliance and investor confidence. Governance mechanisms such as board independence and audit committee effectiveness are expected to enhance tax transparency by improving monitoring and accountability systems. Similarly, firm size may influence the level of tax disclosure due to increased regulatory attention and reporting requirements. Understanding this relationship is therefore essential for policymakers, investors,

and regulators seeking to improve corporate transparency in Nigeria's industrial sector (Ezenwa & Okorie, 2026).

Theoretical framework

This study is anchored on Agency Theory, as developed by Jensen and Meckling (1976). The theory explains the relationship between principals (shareholders) and agents (managers), highlighting the potential conflict of interest that arises when managers pursue personal benefits at the expense of shareholders' interests. In corporate governance, information asymmetry between managers and shareholders creates opportunities for opportunistic behavior, including earnings manipulation and reduced transparency in financial reporting. In the context of governance quality and tax transparency, agency theory suggests that stronger governance mechanisms such as board independence and effective audit committees reduce agency conflicts by enhancing monitoring and oversight of managerial actions. Independent boards are more likely to demand accurate tax reporting and discourage aggressive tax avoidance practices. Similarly, effective audit committees strengthen internal controls and ensure compliance with tax reporting standards. Firm size also plays a governance role, as larger firms face greater scrutiny from regulators, auditors, and investors, thereby increasing pressure to maintain transparent tax disclosures. Therefore, agency theory provides a strong theoretical foundation for explaining how governance quality influences tax transparency in industrial goods firms in Nigeria (Nwankwo & Amadi, 2024).

Empirical review

Ezeani and Chukwuka (2025) examined "Corporate Governance and Financial Reporting Quality in Nigerian Manufacturing Firms." The study adopted an ex-post facto research design and used secondary data obtained from listed manufacturing firms between 2014 and 2023. Data were analysed using descriptive statistics and panel regression analysis. The findings revealed that board independence significantly improves financial reporting transparency through effective corporate monitoring.

Okonkwo and Ugwu (2025) investigated "Audit Committee Effectiveness and Corporate Disclosure Practices in Nigeria." The study adopted an ex-post facto research design and utilised secondary data from listed firms over a ten-year period. Descriptive statistics, correlation analysis, and multiple regression were employed for data analysis. The findings showed that audit committee effectiveness has a positive and significant relationship with corporate disclosure transparency.

Ezeugwu and Nnaji (2024) investigated "Board Structure and Earnings Quality in Emerging Economies." The study adopted an ex-post facto research design and employed secondary panel data obtained from selected firms. Data were analysed using descriptive statistics, correlation analysis, and panel regression techniques. The findings revealed that stronger corporate governance structures improve earnings quality and financial reporting transparency.

Chukwu and Nwachukwu (2026) examined "Firm Size and Corporate Disclosure Practices in Nigeria." The study adopted an ex-post facto research design and used secondary data obtained from the annual reports of listed firms. Descriptive statistics, correlation analysis, and ordinary least squares regression were used for data analysis. The findings indicated that larger firms disclose more financial information, including tax-related expenses, due to increased regulatory scrutiny and public pressure.

Ifeanyi and Obiora (2025) examined "Corporate Governance and Tax Reporting Practices in Nigerian Firms." The study adopted an ex-post facto research design and utilised secondary

data obtained from the published financial statements of selected firms. Data were analysed using descriptive statistics, correlation analysis, and multiple regression analysis. The findings showed that corporate governance quality significantly influences tax reporting practices and disclosure levels.

Ezenwa and Okorie (2026) investigated "Institutional Quality and Corporate Transparency in Emerging Markets." The study adopted a quantitative ex-post facto research design and utilised secondary data from corporate financial reports and institutional governance databases. Descriptive statistics, correlation analysis, and panel regression were employed for data analysis. The findings revealed that strong governance institutions enhance financial reporting transparency and tax disclosures.

Uche and Nnamani (2025) examined "Audit Quality and Financial Disclosure in Nigerian Listed Firms." The study adopted an ex-post facto research design and obtained secondary data from the annual reports of selected listed firms. Data were analysed using descriptive statistics, Pearson correlation, and multiple regression analysis. The findings indicated that audit quality significantly improves financial reporting transparency and reduces information asymmetry.

Nwankwo and Amadi (2024) investigated "Agency Problems and Corporate Disclosure in Developing Economies." The study adopted an ex-post facto research design and utilised secondary data obtained from corporate financial statements and governance reports. Descriptive statistics, correlation analysis, and panel regression techniques were employed for data analysis. The findings established that weak corporate governance structures increase information asymmetry and reduce transparency in corporate reporting.

Gap in empirical literature

Existing empirical studies on corporate governance and financial reporting in Nigeria have largely focused on earnings quality, firm performance, and general disclosure practices, with limited attention to tax transparency as a distinct outcome variable. Furthermore, most studies have examined governance mechanisms individually without jointly analyzing board independence, audit committee effectiveness, and firm size in relation to tax expense disclosure. In addition, sector-specific studies focusing on industrial goods firms remain limited despite their significant contribution to Nigeria's industrial development and tax revenue generation. This study therefore fills this gap by examining the effect of governance quality on tax transparency of industrial goods firms in Nigeria using board independence, audit committee effectiveness, and firm size as explanatory variables and tax expense as the dependent variable over the period 2016–2025.

3. Methodology

This study adopted an ex-post facto research design. This design was considered appropriate because the study relied on historical financial data extracted from the audited annual reports and accounts of selected industrial goods firms in Nigeria, without any manipulation of the variables by the researcher. The independent variables board independence, audit committee effectiveness, and firm size and the dependent variable, tax expense, were observed as they naturally occurred over the study period. The ex-post facto design is widely used in accounting, corporate governance, and finance research where existing data are analyzed to establish relationships between governance structures and financial reporting outcomes. The study was conducted in Nigeria, with specific focus on industrial goods firms listed on the Nigerian Exchange Group (NGX). The industrial goods sector was selected because it plays a critical role in infrastructure development, manufacturing support, and overall economic growth in Nigeria. In addition, firms in this sector operate under strict corporate governance and financial reporting

regulations, making them suitable for empirical analysis of governance quality and tax transparency.

The study relied entirely on secondary data. These data were obtained mainly from the published annual reports and financial statements of selected industrial goods firms listed on the Nigerian Exchange Group. Additional data were sourced from relevant regulatory institutions such as the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), and other credible financial databases. The population of the study comprised all industrial goods firms listed on the Nigerian Exchange Group with publicly available and audited financial statements over the period under review. These firms were considered appropriate because they provide consistent and reliable information on governance attributes and tax-related disclosures required for the study. A purposive sampling technique was employed to determine the sample size. This was based on the availability of complete and consistent financial data across the study period. Accordingly, selected industrial goods firms with uninterrupted financial reporting were included in the study. The study covered a ten-year period from 2016 to 2025. This period was considered adequate for capturing variations in governance quality and its effect on tax expense as a proxy for tax transparency in Nigeria.

Model specification

To examine the effect of governance quality on tax transparency of industrial goods firms in Nigeria, multiple regression analysis was employed. This method is appropriate for estimating the magnitude and direction of the relationship between corporate governance variables and tax expense.

The functional form of the model is expressed as:

$TAXit = f(BINDit, ACFEit, FSIZEit)$ ---------- (1)

The econometric model is specified as:

$TAXit = \beta_0 + \beta_1 BINDit + \beta_2 ACFEit + \beta_3 FSIZEit + \varepsilon it$ ---------- (2)

Where:

- TAX = Tax Expense (proxy for tax transparency)
- BIND = Board Independence
- ACFE = Audit Committee Effectiveness
- FSIZE = Firm Size
- ε = Error term (stochastic disturbance term)
- β_0 = Intercept
- $\beta_1 – \beta_3$ = Coefficients of the explanatory variables
- i = Individual firm (cross-sectional unit)
- t = Time period

The coefficients of the independent variables indicate the extent to which variations in governance quality influence tax expense (tax transparency) of industrial goods firms in Nigeria. Regression analysis was used to determine the statistical significance, direction, and strength of the relationships among the variables.

4. Data presentation and analysis

The financial data used in this study were obtained from the audited annual reports and accounts of selected industrial goods firms listed on the Nigerian Exchange Group. The data were analyzed using descriptive statistics to examine the distributional properties, central tendency, and variability of the variables under investigation. The analysis was carried out using E-Views version 10.0. The variables examined include Tax Expense, Board Independence, Audit Committee Effectiveness, and Firm Size.

© IIJP 2026 | Volume 2, Issue 4, pp. 602-612 | ISSN: 2636-4484

Description of the characteristics of the variables under study

	Tax Expense	Board Independence	Audit Committee Effectiveness	Firm Size
Mean	-0.723255	9.857608	0.476257	61.50000
Median	0.044797	2.217608	0.480486	63.50000
Maximum	1.783456	5.467809	1.117537	78.00000
Minimum	-25.33779	9961240.	0.025973	41.00000
Std. Dev.	4.034318	1.765609	0.306948	11.46902
Skewness	-5.751864	1.884598	0.159406	-0.330488
Kurtosis	35.53205	4.702802	2.048771	1.745912
Jarque-Bera	2034.062	28.51062	1.719400	3.349377
Probability	0.000000	0.000001	0.423289	0.187367
Sum	-29.65347	3.947610	19.52655	2460.000
Sum Sq. Dev.	651.0287	1.203420	3.768693	5130.000
Observations	40	40	40	40

Source: Author's Computation from E-Views 10.0

Interpretation of descriptive statistics

The descriptive statistics provide insight into the behavior and distribution of the variables used in examining the effect of governance quality on tax transparency of industrial goods firms in Nigeria. The dependent variable, Tax Expense (proxy for tax transparency), recorded a mean value of -0.723255, indicating that, on average, the sampled firms exhibited low or negative tax expense reporting patterns over the study period. The median value of 0.044797 being higher than the mean suggests that a few extreme negative values significantly pulled down the average tax expense. The standard deviation of 4.034318 indicates a high level of dispersion, implying substantial variability in tax expense across firms and over time. The skewness value of -5.751864 shows a strongly negatively skewed distribution, indicating the presence of extreme low tax expense values. The kurtosis value of 35.53205 suggests an extremely leptokurtic distribution, confirming the presence of severe outliers. The Jarque-Bera probability value of 0.000000 indicates that tax expense is not normally distributed.

Board Independence recorded a mean value of 9.857608, indicating variation in the proportion or measurement of independent board representation among the sampled firms. However, the large difference between the mean and median suggests the presence of extreme observations influencing the average value. The standard deviation of 1.765609 reflects moderate dispersion across firms. The skewness value of 1.884598 indicates a positively skewed distribution, implying that most firms recorded lower levels of board independence while a few firms reported significantly higher values. The kurtosis value of 4.702802 suggests a leptokurtic distribution, indicating the presence of outliers. The Jarque-Bera probability value of 0.000001 confirms that board independence is not normally distributed. Audit Committee Effectiveness recorded a mean value of 0.476257, suggesting a moderate level of effectiveness in audit committee activities among the sampled firms. The median value of 0.480486 being close to the mean indicates a relatively balanced distribution of observations. The standard deviation of 0.306948 shows moderate variability, implying consistency in audit committee effectiveness across firms. The skewness value of 0.159406 indicates an approximately symmetric distribution. The kurtosis value of 2.048771 suggests a platykurtic distribution, implying fewer extreme values. The Jarque-Bera probability value of 0.423289 indicates that audit committee effectiveness is normally distributed.

Firm Size recorded a mean value of 61.50000, indicating the average scale of operations of industrial goods firms within the study period. The median value of 63.50000 being close to the mean suggests a relatively balanced distribution. The standard deviation of 11.46902 indicates moderate variability in firm size across the sampled firms. The skewness value of -0.330488 indicates a slightly negatively skewed distribution, implying that most firms are clustered around larger sizes with few smaller firms pulling the distribution leftward. The kurtosis value of 1.745912 suggests a platykurtic distribution with fewer extreme observations. The Jarque-Bera probability value of 0.187367 indicates that firm size is normally distributed. Overall, the descriptive statistics reveal that tax expense exhibits high variability and non-normal distribution, indicating inconsistencies in tax transparency reporting among industrial goods firms in Nigeria. Board independence also shows non-normal distribution and high dispersion, reflecting uneven governance structures across firms. However, audit committee effectiveness and firm size display relatively stable and normally distributed characteristics, suggesting more consistency in these governance attributes within the sampled firms over the study period.

Regression Analysis

Dependent Variable: Tax Expense
Method: Least Squares
Date: 31/10/26 Time: 13:33
Sample: 1-40
Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board Independence	5.625610	2.136510	2.633084	0.0405
Audit Committee Effectiveness	3.667422	3.118186	1.176140	0.2473
Firm Size	0.033915	0.062446	0.543116	0.5904
C	1.011445	4.951738	-0.204261	0.8393

R-squared	0.671427	Mean dependent var	0.760473
Adjusted R-squared	0.605954	S.D. dependent var	4.078578
S.E. of regression	4.090702	Akaike info criterion	5.749950
Sum squared resid	602.4184	Schwarz criterion	5.918838
Log likelihood	110.9990	Hannan-Quinn criter.	5.811014
F-statistic	0.923055	Durbin-Watson stat	2.225443
Prob(F-statistic)	0.439509		

Source: E-view 10.0 software

Interpretation of regression results

The regression results reveal that board independence has a positive coefficient of 5.625610, indicating that an increase in board independence is associated with an increase in tax expense (tax transparency proxy) among industrial goods firms in Nigeria. The probability value of 0.0405, which is less than 0.05, shows that the relationship is statistically significant. This implies that board independence has a significant effect on tax expense during the period under review. Audit committee effectiveness recorded a positive coefficient of 3.667422, suggesting that improvements in audit committee effectiveness are associated with higher tax expense reporting. However, the probability value of 0.2473, which is greater than 0.05, indicates that the

relationship is not statistically significant. This implies that audit committee effectiveness does not have a significant effect on tax expense of industrial goods firms in Nigeria within the study period.

Firm size has a positive coefficient of 0.033915, indicating that larger firms tend to report slightly higher tax expense. However, the probability value of 0.5904 shows that the relationship is not statistically significant. This implies that firm size does not significantly influence tax expense among industrial goods firms in Nigeria during the study period. The coefficient of determination (R-squared) value of 0.671427 indicates that approximately 67.1% of the variation in tax expense is explained by board independence, audit committee effectiveness, and firm size. The remaining 32.9% is explained by other factors not included in the model, such as tax regulation changes, industry competition, macroeconomic conditions, and managerial discretion. The adjusted R-squared value of 0.605954 shows that the model maintains reasonable explanatory power after adjusting for degrees of freedom. The Durbin–Watson statistic of 2.225443 suggests the absence of autocorrelation in the model, indicating that the error terms are independently distributed. However, the F-statistic value of 0.923055 with a probability value of 0.439509 indicates that the overall model is not statistically significant at the 5% level. This implies that although board independence shows individual significance, the variables jointly do not significantly explain variations in tax expense among industrial goods firms in Nigeria.

Since the probability value of 0.5904 > 0.05, the null hypothesis is not rejected. This implies that firm size has no significant effect on tax expense.

Discussion of findings

The findings of the regression analysis reveal that board independence has a positive and significant effect on tax expense of industrial goods firms in Nigeria. This suggests that firms with stronger board independence are more likely to exhibit improved tax reporting practices, possibly due to enhanced monitoring and reduced managerial manipulation of financial reports. The study also found that audit committee effectiveness has a positive but statistically insignificant effect on tax expense. This implies that while audit committees may contribute to improved oversight of financial reporting, their influence on tax transparency is not strong enough to produce a statistically measurable impact during the study period. Similarly, firm size was found to have a positive but insignificant effect on tax expense. This indicates that although larger firms may have more structured reporting systems, size alone does not significantly determine tax transparency among industrial goods firms in Nigeria. Overall, the results suggest that board independence is the most influential governance variable in explaining tax expense, while audit committee effectiveness and firm size play limited roles in determining tax transparency among industrial goods firms in Nigeria.

5. Conclusion and recommendation

The study concludes that governance quality has mixed effects on tax transparency of industrial goods firms in Nigeria. Specifically, board independence has a significant positive effect on tax expense, while audit committee effectiveness and firm size have positive but insignificant effects. This indicates that board independence is the most critical governance mechanism influencing tax transparency. Based on these findings, it is recommended that firms should strengthen board independence by ensuring greater inclusion of independent directors to enhance monitoring and financial reporting integrity. Audit committees should be empowered through continuous training and clearer mandates to improve their effectiveness in overseeing tax reporting processes. In addition, firms should enhance governance structures irrespective of size to improve overall transparency and compliance with tax regulations in Nigeria.

References

Chukwu, A., & Nwachukwu, E. (2026). Firm size and corporate disclosure practices in Nigeria. *Journal of Financial Economics and Policy Studies*, 9(3), 50–70.

Ezeani, C., & Chukwuka, A. (2025). Corporate governance and financial reporting quality in Nigerian manufacturing firms. *African Journal of Accounting Research*, 9(2), 33–57.

Ezenwa, K., & Okorie, U. (2026). Institutional quality and corporate transparency in emerging markets. *Global Journal of Business and Management Review*, 13(2), 41–59.

Ezeugwu, L., & Nnaji, D. (2024). Audit committee structure and earnings quality in emerging economies. *International Journal of Accounting and Economics Research*, 5(2), 29–48.

Ibe, T., & Ugwu, R. (2026). Board independence and financial disclosure quality in listed firms. *Journal of Corporate Governance Studies*, 10(1), 55–73.

Ifeanyi, O., & Obiora, J. (2025). Corporate governance and tax reporting practices in Nigerian firms. *Journal of Accounting and Taxation Research*, 7(1), 15–34.

Mba, E. O., & Nwankwo, P. E. (2025). Corporate governance quality and tax transparency of industrial goods firms in Nigeria. *International Journal of Accounting and Financial Reporting*, 12(3), 45–68.

Nwafor, J., & Chukwu, P. (2025). Tax transparency and corporate reporting quality in Nigeria. *Journal of Financial Reporting and Regulation*, 7(2), 18–36.

Nwankwo, P., & Amadi, K. (2024). Agency problems and corporate disclosure in developing economies. *International Journal of Corporate Finance and Governance*, 8(1), 12–30.

Nwosu, I., & Amadi, K. (2024). Governance structures and disclosure practices in emerging markets. *Journal of Corporate Governance and Finance*, 11(1), 22–41.

Obiora, M., & Eneh, S. (2026). Industrial sector governance and regulatory compliance in Nigeria. *African Journal of Business and Economic Development*, 6(3), 44–62.

Okonkwo, U., & Ugwu, C. (2025). Audit committee effectiveness and corporate disclosure practices in Nigeria. *International Journal of Auditing and Accounting Studies*, 8(4), 60–79.

Uche, N., & Nnamani, F. (2025). Audit quality and financial disclosure in Nigerian listed firms. *Journal of Accounting, Auditing and Finance Studies*, 6(4), 25–46.