Income Tax Disclosure, Audit Committee Independence and the Value Relevance of Accounting Information: Evidence from Nigerian Commercial Banks

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Abstract: This study examined whether income tax disclosure under International Accounting Standard (IAS) 12 and audit committee independence explain the value relevance of accounting information in Nigerian commercial banks. Value relevance is measured with year-end share price, income tax disclosure is proxied by current tax and deferred tax, and audit committee independence is measured as the share of independent members on the committee. An ex-post facto design was adopted using audited annual reports of 18 listed commercial banks for 2014 to 2023, which produced a balanced panel of 180 bank-year observations. Descriptive statistics, correlation analysis, variance inflation factors and the Hausman test preceded panel least squares estimation with fixed effects. The results showed that current tax has a positive and highly significant relationship with share price (coefficient = 0.983, t = 38.990, p = 0.0000), while deferred tax is positively related but statistically insignificant (coefficient = 0.128, t = 1.356, p = 0.1770). Audit committee independence had a strong, positive and significant effect on share price (coefficient = 18.010, t = 8.049, p = 0.0000). The first hypothesis is therefore supported only in respect of current tax, and the second hypothesis is fully supported. The findings suggest that investors in the Nigerian banking market respond to the transparency of current tax reporting and to the credibility that an independent audit committee lends to reported numbers. Regulators and bank boards should reinforce compliance with IAS 12 disclosure requirements and protect the independence of audit committees.

Index Terms: audit committee independence, income tax disclosure, Nigerian commercial banks, value relevance,

1. Introduction

Financial statements are useful to capital markets only when the numbers they contain are reflected in the prices at which investors trade. This idea, usually described as value relevance, is the reason that standard setters, regulators and researchers continue to ask whether accounting information still informs equity valuation. Recent large-sample evidence indicates that the combined value relevance of accounting information has not declined over time; rather, the relationship between accounting items and share price has become more nuanced, with different items gaining or losing importance (Barth et al., 2023). For a bank-dominated emerging market such as Nigeria, the question is particularly pressing because the banking sector is the main channel through which savings are mobilized and credit is extended, and because bank share prices shape the confidence of both domestic and foreign investors.

Among the items that appear in bank financial statements, income taxes deserve special attention. Under IAS 12, an entity reports the tax currently payable on its profit for the period together with deferred tax arising from temporary differences between accounting and taxable profit. The current tax charge tells users how much of reported profit is being claimed by the tax authority, and it offers a window into the quality of earnings and the effective tax burden. Deferred tax, in contrast, reflects estimates and judgements about future reversals, and its usefulness to investors has been questioned for decades. A systematic review of the deferred tax literature concludes that there is substantial evidence for the value relevance of various deferred tax items, but that the evidence is concentrated in the United States, leaving emerging markets under-examined (Görlitz & Dobler, 2023). Contrary evidence also exists: an analysis of listed German firms finds that deferred tax assets have no statistically significant effect on market value (Zimmermann, 2024). The disclosure environment has also continued to evolve, as shown by the IASB's 2023 amendments to IAS 12 on international tax reform, which introduced targeted disclosure requirements for entities exposed to Pillar Two taxes (IFRS Foundation, 2023).

Disclosure alone does not guarantee credibility. Investors price accounting numbers only to the extent that they trust the process through which the numbers were produced, and the audit committee sits at the center of that process. The committee oversees financial reporting, liaises with external auditors and monitors internal controls on behalf of shareholders. When a high proportion of its members are independent of management, it is better placed to resist pressure to manage reported figures. Reviews of the

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archival literature relate governance mechanisms of this kind to the incidence of financial misconduct (Velte, 2023), and studies of audit committee attributes adopt an agency viewpoint in which independent oversight reduces the information gap between managers and owners (Raimo et al., 2021). Evidence from Nigeria points in the same direction in broad terms. Governance practices have been found to influence the value of listed deposit money banks (Adebayo et al., 2022), to shape the faithful representation of financial reports (Ajibade et al., 2022), and to be associated with reporting quality in listed financial institutions (Oyerogba et al., 2024).

The Nigerian banking sector provides a demanding test of these ideas. Banks operate in a regulated environment in which the Central Bank of Nigeria prescribes capital, liquidity and governance standards, and the recent increase in minimum capital requirements has pushed banks to raise fresh equity and has heightened investor scrutiny of reported performance (Central Bank of Nigeria, 2024). Past banking crises in the country, which were linked to weak governance and opaque reporting, mean that investors have good reason to ask whether published numbers can be relied upon. Yet few studies have examined, within one framework, how the components of IAS 12 income tax disclosure and the independence of the audit committee jointly explain share price valuation in Nigerian commercial banks.

This study addresses that gap. Its specific objectives are to examine the relationship between IAS 12 income tax disclosure, proxied by current tax and deferred tax, and the value relevance of accounting information in Nigerian commercial banks, and to determine the effect of audit committee independence on that value relevance. The study is guided by two research questions: what is the relationship between IAS 12 income tax disclosure and value relevance of accounting information in Nigerian commercial banks, and what is the effect of audit committee independence on value relevance of accounting information in Nigerian commercial banks? The following null hypotheses are tested:

H01: There is no significant relationship between IAS 12 income tax disclosure and value relevance of accounting information in Nigerian commercial banks.

H02: There is no significant effect of audit committee independence on the value relevance of accounting information in Nigerian commercial banks.

2. Literature Review and Hypotheses Development

2.1 Conceptual Review

2.1.1 Value Relevance of Accounting Information

Value relevance describes the extent to which figures reported in the financial statements are associated with, and therefore help to explain, the market value of the reporting firm. The usual empirical approach regresses share price, or returns, on accounting amounts such as earnings, book value and other reported items; a statistically significant association indicates that investors incorporate the information when they form valuations. The concept is attractive to researchers because it is an outcome-based test of usefulness: instead of asking whether a disclosure is theoretically relevant, it asks whether the market behaves as if it is. The evidence that accounting information remains value relevant, even as the economy has shifted towards intangibles, has been reaffirmed in recent work covering several decades of data (Barth et al., 2023).

In this study, value relevance is measured by share price at the financial year end. Using price as the dependent variable is consistent with the price-level valuation tradition and is appropriate when the objective is to establish whether disclosure items and governance attributes help to explain cross-sectional differences in bank valuation. Because Nigerian banks are heterogeneous in size, ownership and market positioning, the use of bank fixed effects in the estimation is important, as it absorbs time-invariant differences in price levels across banks.

2.1.2 IAS 12 Income Tax Disclosure

IAS 12 prescribes the accounting treatment of income taxes and the associated disclosures. Two components are central. Current tax is the amount of income taxes payable on the taxable profit of the period, and its disclosure allows users to compare tax expense with accounting profit and to assess the effective tax rate. Deferred tax is recognized for temporary differences, and deferred tax liabilities represent taxes that are expected to become payable in future periods. In banks, deferred tax balances can be material because of differences between accounting and tax treatment of loan loss provisions, fair value measurements and capital allowances.

The value relevance of tax disclosures is contested. Current tax is a relatively objective number linked to the tax return, and it is often used by analysts to infer the persistence of earnings. Deferred tax is more judgemental: the measurement of deferred tax liabilities depends on assumptions about the timing of reversal and the recoverability of deferred tax assets. The systematic review by Görlitz and Dobler (2023) shows that, while many studies find that deferred tax items are priced by investors, the findings vary with the item examined, the accounting regime and the setting. A recent single-country study finds no significant pricing of deferred tax assets in a sample of German listed companies (Zimmermann, 2024). The literature therefore gives no uniform prediction for the significance of deferred tax in an emerging banking market.

A related strand of research examines whether broader disclosure is priced. Cross-country analysis of disclosure regulation concludes that the economic effects of mandated reporting depend on firms' reporting incentives and on enforcement (Christensen

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et al., 2021). Studies of environmental disclosure similarly reported associations between disclosure and firm value in a multi-country sample of Gulf Cooperation Council firms (Gerged et al., 2021). These findings suggest that disclosure is likely to be priced when it is credible and decision relevant, which is the proposition tested for income tax disclosure in this paper.

2.1.3 Audit Committee Independence

The audit committee is a sub-committee of the board charged with oversight of financial reporting, internal control and the external audit. Its independence is typically captured by the proportion of members who have no executive role or other material relationship with the firm. Independence matters because a committee dominated by insiders may be reluctant to challenge management's accounting choices, whereas independent members have fewer incentives to accept aggressive estimates. Reviews of the governance literature relate such monitoring mechanisms to the occurrence of financial misconduct (Velte, 2023), and an agency-based analysis of audit committee attributes shows how committee characteristics are studied as determinants of reporting quality (Raimo et al., 2021).

In Nigeria, the audit committee of a listed company is a statutory body and the governance code encourages the inclusion of non-executive and independent members. The empirical evidence on committee effects on market outcomes is not uniform. One study of Nigerian listed deposit money banks finds that the number of board committees is positively related to Tobin's Q, while board size, board independence, directors' shareholdings and board meetings carry negative coefficients (Kafidipe et al., 2021). Another study finds that governance practices significantly influence the value of listed banks (Adebayo et al., 2022). These findings suggest that the effect of specific governance attributes is context dependent and that the committee's independence deserves a focused test.

2.1.4 Conceptual Framework

The conceptual framework of the study is presented in Figure 1. The dependent variable is the value relevance of accounting information, measured by share price. Two sets of explanatory variables are specified. The first is IAS 12 income tax disclosure, represented by current tax (CT) and deferred tax (DT). The second is audit committee independence (ACI). The arrow labelled H1 shows the hypothesized relationship between income tax disclosure and share price, and the arrow labelled H2 shows the hypothesized effect of audit committee independence on share price.

The framework implies that two distinct channels link accounting information to market value. The disclosure channel operates through the content of the tax numbers: a larger or more transparent current tax figure conveys information about profitability and compliance. The governance channel operates through credibility: a more independent audit committee raises investors' confidence that the numbers have been prepared and reviewed objectively. Because the two channels are conceptually different, they are modelled as separate relationships and tested through separate hypotheses.

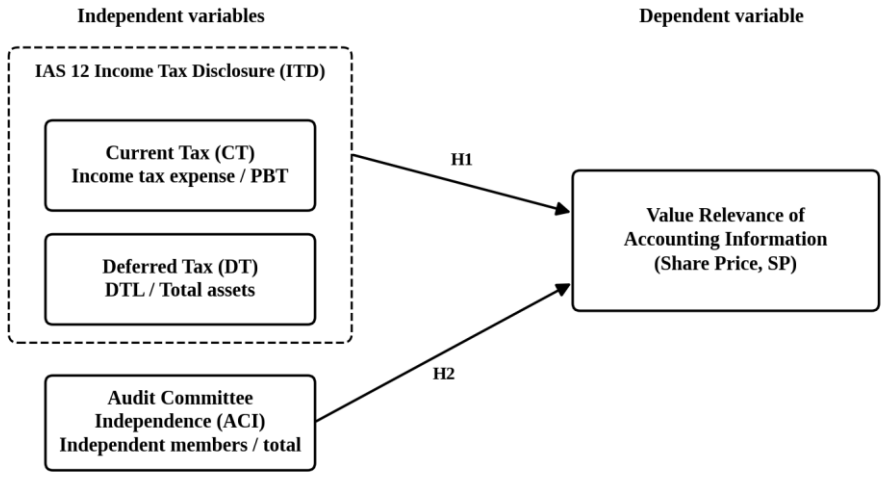

Figure 1: Conceptual Construct of the study

2.2 Theoretical Framework

Three theoretical perspectives inform the study. Agency theory holds that the separation of ownership and control creates a risk that managers will act in their own interest and that shareholders will bear monitoring costs. Disclosure and independent oversight are mechanisms for reducing the resulting information asymmetry. In the context of this study, an independent audit committee is a monitoring device that raises the reliability of reported numbers, which in turn should increase the weight that investors attach to them.

Signalling theory emphasizes that the party with superior information can send credible signals to the party with less information. A systematic review of signalling research highlights that the effectiveness of a signal depends on its observability, cost and

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credibility to receivers (Bafera & Kleinert, 2023). Detailed and reliable current tax disclosure can be understood as a signal of earnings quality and compliance, while a strongly independent audit committee is a signal that reported numbers have been subject to independent scrutiny. Investors who receive these signals are expected to pay more for the shares of banks that send them.

Stakeholder theory, which is reviewed alongside the resource-based view in recent work (Freeman et al., 2021), regards the firm as a set of relationships with shareholders, regulators, depositors, employees and other parties who rely on credible information. Income tax disclosure serves regulators and the public as well as investors, and an independent audit committee protects the interests of these wider group. Together, the theories predict that credible tax disclosure and independent oversight will be reflected in higher valuations.

2.3 Empirical Review and Hypotheses Development

2.3.1 Income Tax Disclosure and Value Relevance

Evidence on the pricing of tax information is mixed. The systematic review of deferred tax research reports substantial support for the value relevance of different deferred tax items but limited evidence on earnings management through deferred taxes, and it observes that most studies are located in the United States (Görlitz & Dobler, 2023). A more recent analysis of German HDAX-listed companies over 2000 to 2022 finds that deferred tax assets do not significantly affect market value, while net income and research and development costs do (Zimmermann, 2024). At the same time, the broad conclusion that accounting information remains value relevant (Barth et al., 2023) suggests that at least the primary components of reported performance, including the tax charge that sits between pre-tax and after-tax earnings, should be priced.

In Nigeria, studies of reporting quality indicate that adoption of international standards and sound governance improve the faithful representation of financial reports (Ajibade et al., 2022), which strengthens the premise that standard-based disclosures are meaningful to users. For banks, where tax charges are material and deferred tax balances arise from complex provisioning and valuation differences, it is reasonable to expect current tax to be more informative than deferred tax because it is closer to cash and to realized profit. On this basis, and following the null hypothesis of the thesis, the first hypothesis is that IAS 12 income tax disclosure has no significant relationship with value relevance.

2.3.2 Audit Committee Independence and Value Relevance

Audit committee independence is expected to enhance value relevance by raising the credibility of reported numbers. In a Nigerian setting, governance attributes have been shown to influence the value of listed banks (Adebayo et al., 2022), although the direction varies across individual attributes, and the number of board committees has been found to be positively related to Tobin's Q even where several board-level attributes carry negative coefficients (Kafidipe et al., 2021). Studies that examine sustainability reporting in Nigerian listed financial institutions find that stronger governance, including board independence and audit committee expertise, is associated with higher reporting quality (Oyerogba et al., 2024). Where reporting quality improves, the information that investors receive is more reliable and should be more strongly reflected in prices. The second hypothesis is therefore that audit committee independence has no significant effect on the value relevance of accounting information.

3. Methodology

3.1 Research Design, Population and Sample

The study adopted an ex-post facto research design, which is appropriate because the variables had already occurred and were recorded in published reports, and the researcher could not manipulate them. The population comprised the listed commercial banks approved by the Central Bank of Nigeria whose shares were traded on the Nigerian Exchange as at 31 December 2023. Purposive sampling was used to select banks with complete audited annual reports for the period 2014 to 2023. Banks that entered the market during the period were excluded because they could not provide a full series of observations. The final sample consisted of 18 commercial banks observed over ten years, which yielded a balanced panel of 180 bank-year observations.

3.2 Data and Measurement of Variables

The study relied on secondary data extracted from the audited annual reports and financial statements of the sampled banks, and share price data at the year end. Annual financial statements are the primary official documents through which companies communicate with investors and are prepared regularly under statutory requirements, which makes them a convenient and comparable source for panel research. Table 1 shows how the variables were measured.

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Table 1: Measurement of variables

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

(Sources: Researcher's Computation, 2026)

Table 1 shows that share price is the dependent variable, observed at 31 December of each year. Current tax is measured as income tax expense divided by profit before tax, which standardizes the tax charge for bank size and profit level. Deferred tax is measured as deferred tax liabilities divided by total assets, which scales the balance for the size of the financial position statement. Audit committee independence is measured as the proportion of independent members on the audit committee. Scaling each explanatory variable in this way makes the coefficients comparable across banks of different sizes and reduces the risk that the results are driven by the largest institutions.

3.3 Model Specification and Estimation Technique

The study estimates panel regression models in which share price of bank i in year t is explained by the disclosure and governance variables. The model for Hypothesis 1 is $SP(it) = \alpha + \beta1\ CT(it) + \beta2\ DT(it) + \varepsilon(it)$, and the model for Hypothesis 2 is $SP(it) = \alpha + \beta1\ ACI(it) + \varepsilon(it)$, where α is the constant, $\beta1$ and $\beta2$ are slope coefficients and ε is the error term. The decision rule is to reject the null hypothesis when the probability value of the relevant coefficient is below 0.05.

Panel data analysis allows unobserved bank-specific effects to be controlled, which improves the precision and reliability of estimates compared with pure cross-section or time-series analysis (Baltagi, 2021). The choice between fixed-effects and random-effects estimators was guided by the Hausman test. Prior to estimation, descriptive statistics and the Jarque-Bera test were used to examine the distribution of the variables, a correlation matrix was used to examine the pairwise association among variables, and variance inflation factors were computed to screen for multicollinearity. The Durbin-Watson statistic was reported as an indicator of serial correlation in the residuals. All estimations were performed with EViews 9.

4. Results and Discussion

4.1 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
ACI	0.734	0.079	0.900	0.550	5.238	180

(Sources: Researcher's Computation, 2026)

Table 2 summarizes the distribution of the variables across the 180 bank-year observations. Share price has a mean of 21.46 with a standard deviation of 2.38, and it ranges from 15.00 to 27.50, so that the gap between the lowest and highest observation is 12.50. This indicates moderate dispersion in the market valuation of the sampled banks. Current tax has a mean of 19.736 and a standard deviation of 2.840, with a minimum of 13.500 and a maximum of 28.000. Deferred tax has a mean of 5.187 and a standard deviation of 0.751, ranging from 3.500 to 7.200, which shows that deferred tax balances are smaller and less variable than the current tax measure.

Audit committee independence has a mean of 0.734, which means that, on average, about 73.4 per cent of audit committee members in the sampled banks are independent. The standard deviation of 0.079 and the range of 0.550 to 0.900 show that independence levels are fairly uniform across banks, which is consistent with the common regulatory expectations on committee composition. The Jarque-Bera statistics for all variables are below the chi-square critical value of 5.99 at the 5 per cent level with two degrees of freedom; the highest value is 5.238 for audit committee independence, and the lowest is 0.422 for share price. The null hypothesis of normality is therefore not rejected for any variable, and the data are suitable for parametric analysis. The small standard deviations of the independence measure indicate that its explanatory power in the regression comes from modest differences across banks and years, a point that should be kept in mind when interpreting the size of its coefficient.

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4.2 Correlation Analysis

Table 3: Correlation matrix of the study variables

Variable	SP	CT	DT	ACI
SP	1.000			
CT	0.759	1.000		
DT	0.778	0.772	1.000	
ACI	0.522	0.278	0.667	1.000

(Sources: Researcher's Computation, 2026)

Table 3 reports the pairwise correlation coefficients. Share price is strongly and positively correlated with current tax (0.759) and with deferred tax (0.778), suggesting that banks that report higher tax measures tend to command higher prices. The correlation between share price and audit committee independence is positive and moderate at 0.522. These signs are consistent with the expectation that both tax disclosure and independent oversight are associated with higher valuations. Current tax and deferred tax are themselves strongly correlated (0.772), which indicates that banks with higher current tax tend also to report higher deferred tax balances, plausibly because both are driven by the scale and profitability of the bank. Audit committee independence has a weaker correlation with current tax (0.278) and a moderately strong correlation with deferred tax (0.667). None of the coefficients exceeds 0.80, which is the level at which collinearity between two regressors is usually regarded as severe, although the strong association between current tax and deferred tax warrants attention in the regression results.

4.3 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)

Table 4 reports the variance inflation factors. The centred VIF values are 6.669 for current tax, 6.019 for deferred tax, 6.616 for audit committee independence and 7.139 for board diversity, which is the fourth explanatory variable of the broader study. All values are below the conventional ceiling of 10, so severe multicollinearity is not indicated. However, because the values exceed the more cautious threshold of 5, a moderate degree of shared variance exists among the regressors, and the individual coefficients should be interpreted with some caution when the variables are entered together. The uncentred VIF values, which are much larger, are influenced by the constant term and are not the primary basis for judging collinearity among explanatory variables.

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 presents the Hausman test. The chi-square statistic is 9.666 with four degrees of freedom and a probability of 0.0464, which is below the 5 per cent level. The null hypothesis that the random-effects estimator is consistent is therefore rejected, and the fixed-effects estimator is preferred. This result means that unobserved bank characteristics are correlated with the explanatory variables, and that ignoring them would bias the estimated coefficients. The regressions that follow therefore include cross-section fixed effects, and, where indicated, period fixed effects as well.

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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 gives the fixed-effects estimates that accompany the Hausman test when all four explanatory variables are entered together. Current tax has a coefficient of 0.907 and a t-statistic of 14.569, which is significant at the 1 per cent level, and audit committee independence has a coefficient of 5.737 with a t-statistic of 3.494 and a probability of 0.0006. Deferred tax (probability 0.2906) and board diversity (probability 0.4178) are not significant in the joint specification. The R-squared of 0.9955 is very high, but it is inflated by the bank dummy variables that capture the large differences in price levels between banks, and it should not be read as evidence that the four variables alone explain 99.5 per cent of price variation. The table nonetheless confirms that current tax and audit committee independence are the variables that retain explanatory power when the models are enlarged, which anticipates the findings of the hypothesis tests below.

4.4 Test of Hypothesis One: Income Tax Disclosure and Value Relevance

Table 7: Fixed-effects regression of income tax disclosure on value relevance (Hypothesis 1)

Variable	Coefficient	Std. error	t-statistic	Prob.
C	1.390	0.173	8.030	0.0000
CT	0.983	0.025	38.990	0.0000
DT	0.128	0.094	1.356	0.1770
R-squared	0.9951			
Adjusted R-squared	0.9946			
S.E. of regression	0.1753			
F-statistic (Prob.)	1726.617 (0.0000)			
Durbin-Watson statistic	1.445			

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

(Sources: Researcher's Computation, 2026)

Table 7 reports the fixed-effects estimates for Hypothesis 1. The coefficient of current tax is 0.983 with a standard error of 0.025 and a t-statistic of 38.990, and its probability value is 0.0000. This is significant at the 1 per cent level and indicates that, holding deferred tax constant, a one-unit increase in current tax is associated with an increase of about 0.98 units in share price. Because the standard deviation of current tax is 2.840, a one-standard-deviation rise in current tax is associated with a rise in share price of roughly 2.79 units, which is a little more than one standard deviation of share price (2.38). The effect is therefore economically large as well as statistically significant. The coefficient of deferred tax is 0.128 with a t-statistic of 1.356 and a probability of 0.1770. It is positive but not significant at the 5 per cent level, so the data do not provide reliable evidence that the market prices deferred tax liabilities in these banks.

The model statistics show an R-squared of 0.9951 and an adjusted R-squared of 0.9946, with an F-statistic of 1726.617 (probability 0.0000), so the model is jointly significant. As noted in the discussion of Table 6, these fit measures reflects the contribution of the bank fixed effects as well as the two tax variables. The Durbin-Watson statistic of 1.445 is below 2 and lies in the region that suggests some positive serial correlation, although it is not extremely low. Since fixed effects remove time-invariant differences but not all dynamics in the data, the standard errors may be slightly understated, and future work should consider heteroskedasticity and autocorrelation consistent standard errors as a robustness check. On the basis of the evidence, the null hypothesis of no significant relationship between IAS 12 income tax disclosure and value relevance is rejected for current tax but not for deferred tax.

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4.5 Test of Hypothesis Two: Audit Committee Independence and Value Relevance

Table 8: Fixed-effects regression of audit committee independence on value relevance (Hypothesis 2)

Variable	Coefficient	Std. error	t-statistic	Prob.
C	8.243	1.642	5.021	0.0000
ACI	18.010	2.237	8.049	0.0000
R-squared	0.9886			
Adjusted R-squared	0.9866			
S.E. of regression	0.2751			
F-statistic (Prob.)	490.207 (0.0000)			
Durbin-Watson statistic	1.244			

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 results for Hypothesis 2, which include both cross-section and period fixed effects. The coefficient of audit committee independence is 18.010 with a standard error of 2.237, a t-statistic of 8.049 and a probability of 0.0000, which is significant at the 1 per cent level. The coefficient must be interpreted with the scale of the variable in mind: independence is a proportion that ranges in the sample from 0.55 to 0.90, so a full one-unit change is outside the observed range. A more realistic reading is that an increase of ten percentage points in the share of independent committee members (0.10) is associated with an increase of about 1.80 units in share price. The constant of 8.243 is significant but has no substantive meaning because independence is never zero in the sample.

The R-squared is 0.9886 and the adjusted R-squared is 0.9866, and the F-statistic of 490.207 is significant at the 1 per cent level, so the model is jointly significant. The Durbin-Watson statistic of 1.244 suggests the presence of positive serial correlation in the residuals, which means that the t-statistic should be treated as indicative of a strong relationship rather than as a precise measure of its reliability. Nevertheless, the magnitude of the t-statistic leaves little doubt about the direction and significance of the relationship, and the null hypothesis of no significant effect of audit committee independence on value relevance is rejected.

Table 9: Summary of hypothesis tests

Hypothesis	Variable tested	Coefficient	Prob.	Decision
H1	CT	0.983	0.0000	Null rejected
H1	DT	0.128	0.1770	Null not rejected
H2	ACI	18.010	0.0000	Null rejected

(Sources: Researcher's Computation, 2026)

Table 9 consolidates the decisions. The first hypothesis is supported in part: current tax is significantly related to value relevance while deferred tax is not. The second hypothesis is supported in full. Figure 2 displays the t-statistics of the estimated coefficients relative to the 5 per cent critical values. The t-statistic of current tax is far beyond the critical values, the statistic for audit committee independence is also well beyond them, and the statistic for deferred tax lies inside the band of non-significance.

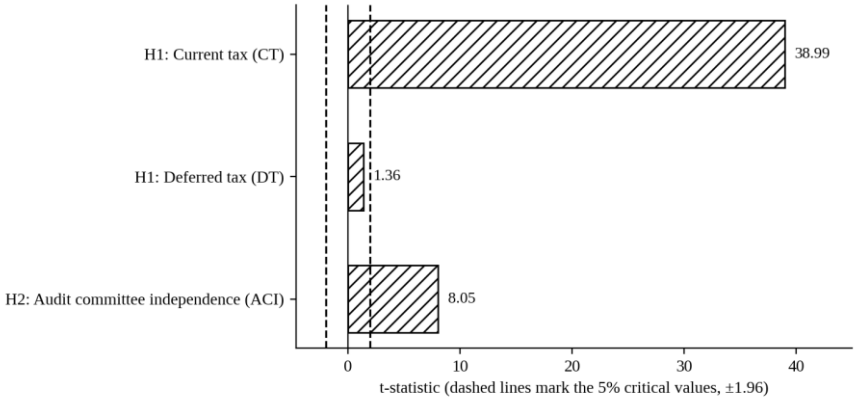

Figure 2: t-statistics of the estimated coefficients

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(Sources: Researcher's Computation, 2026)

4.6 Discussion of Findings

4.6.1 Income Tax Disclosure and Value Relevance

The finding that current tax is strongly and positively related to share price indicates that investors in Nigerian banks treat the current tax charge as value-relevant information. This is consistent with the general conclusion that accounting information continues to be priced by the market (Barth et al., 2023). One interpretation, in line with signalling theory, is that a visible and substantial current tax charge signals that profits are real, taxable and recognized by the authorities, which gives investors' confidence in the quality and persistence of earnings. Since current tax is also correlated with profitability, part of its coefficient may reflect the market's response to underlying performance. The coefficient should therefore be read as evidence of association and not as proof that disclosure per se causes prices to rise. Even so, the result implies that the tax notes and the income statement line for tax are not neglected by the market.

The insignificance of deferred tax is consistent with the view that deferred tax liabilities are of limited informational use to investors in this setting. It echoes the finding that deferred tax assets are not priced by the market in a German sample (Zimmermann, 2024), and it fits the observation that the literature on deferred tax is not uniform and depends on the item and the setting (Görlitz & Dobler, 2023). Several explanations are plausible. Deferred tax liabilities in banks are the product of estimates and timing differences whose reversal is uncertain, and investors who focus on short-term earnings and dividends may discount them. The disclosure itself may be technical and difficult to interpret, so that its information content is not easily extracted. Finally, deferred tax liabilities scaled by total assets show limited variation across banks (a standard deviation of 0.751), which reduces the statistical power of the test. The result does not imply that deferred tax is irrelevant in all settings, but it indicates that, for Nigerian commercial banks over 2014 to 2023, the market's pricing is driven mainly by current tax.

These findings have implications for regulators and preparers. The evidence that current tax is priced supports the enforcement of IAS 12 disclosure requirements by the Financial Reporting Council of Nigeria and the Central Bank of Nigeria, since disclosure that the market uses is disclosure that serves its purpose. The lack of significance for deferred tax suggests that banks may need to make their deferred tax notes more informative, for example through clearer reconciliation of the effective tax rate and clearer explanation of the expected timing of reversal, so that investors can understand what deferred tax balances imply for future cash flows. The latest amendments to IAS 12 on international tax reform add disclosure requirements that banks with multinational operations will need to meet (IFRS Foundation, 2023), which makes the clarity of tax communication a continuing concern.

4.6.2 Audit Committee Independence and Value Relevance

The positive and highly significant coefficient of audit committee independence supports the agency and signalling explanations. When a larger share of the committee is independent, its oversight of financial reporting is more credible, and investors can place greater reliance on the reported numbers. The result is consistent with research that links monitoring mechanisms to lower financial misconduct (Velte, 2023) and that studies audit committee attributes as determinants of reporting quality from an agency perspective (Raimo et al., 2021). It is also consistent with Nigerian evidence that governance practices influence the value of banks (Adebayo et al., 2022) and that stronger governance, including independent board members and audit committee expertise, is associated with higher reporting quality in listed financial institutions (Oyerogba et al., 2024). At the same time, the finding contrasts with studies in which several board-level attributes carry negative coefficients on Tobin's Q (Kafidipe et al., 2021), which suggests that the independence of the audit committee may be more relevant to the market than the size or composition of the board as a whole.

The stakeholder perspective offers a complementary reading. Banks rely on the confidence of depositors, regulators and investors, and an independent audit committee is a visible commitment to protecting those interests (Freeman et al., 2021). In a market with a history of bank failures linked to weak governance, such a commitment is likely to carry weight with investors, who may reward banks that demonstrate stronger oversight. For bank boards and shareholders, the practical implication is that the composition of the audit committee is not only a compliance matter but also a determinant of valuation. For regulators, the result supports continued emphasis on independence requirements, particularly at a time when banks are raising new capital and seeking investor confidence under the recapitalization program (Central Bank of Nigeria, 2024).

Two cautions apply. First, share price is determined by many factors beyond those included in the models, such as macroeconomic conditions, interest rate policy and market sentiment, and the fixed effects only partially control for them. Second, the coefficient of audit committee independence in the single-variable model (18.010) is considerably larger than its coefficient in the joint specification of Table 6 (5.737), which suggests that independence partly overlaps with other attributes of good governance and tax reporting. The coefficient should therefore be interpreted as the combined effect of independence and the governance features that accompany it.

5. Conclusion, Recommendations and Implications

5.1 Conclusion

This study examined the relationship between IAS 12 income tax disclosure, audit committee independence and the value relevance of accounting information in Nigerian commercial banks, using a balanced panel of 18 banks over 2014 to 2023. Fixed-effects

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estimation showed that current tax is positively and significantly related to share price, that deferred tax is not significantly related to share price, and that audit committee independence had a positive and significant effect on share price. The first hypothesis is accordingly supported only in respect of current tax, and the second hypothesis is fully supported. The results indicate that the Nigerian equity market responds both to the content of current tax disclosure and to the credibility that independent oversight gives to reported information.

5.2 Recommendations

i) Boards and management of Nigerian commercial banks should comply rigorously with IAS 12 requirements on current tax, including a clear reconciliation of tax expense to accounting profit, because this information is priced by investors.

ii) Banks should improve the communication of deferred tax, through plain-language explanations of the origin and expected reversal of deferred tax liabilities, so that this component becomes more useful to investors.

iii) Shareholders and boards should maintain and, where possible, raise the proportion of independent members on audit committees, since independence is associated with higher valuation.

iv) Regulators, including the Central Bank of Nigeria and the Financial Reporting Council of Nigeria, should continue to monitor compliance with disclosure and independence requirements and should publish guidance that helps users interpret tax disclosures.

5.3 Contributions, Limitations and Suggestions for Further Research

The study contributes to the literature by separating the two components of IAS 12 income tax disclosure and showing that only current tax is priced by the market, and by showing that audit committee independence has a strong association with share price in a Nigerian banking panel. Its limitations should be acknowledged. The sample is confined to listed commercial banks over a ten-year period, so the findings may not generalize to other sectors or countries. The study uses a single price-based measure of value relevance and a limited set of governance and tax variables, and it does not model macroeconomic conditions. The Durbin-Watson statistics, which are below 1.5 in both models, suggest residual serial correlation that future work should address through robust or dynamic estimators. Further studies could extend the analysis to non-financial firms, incorporate returns-based measures of value relevance, and examine whether audit committee expertise and diligence add explanatory power to independence.

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