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Implications of Deferred Tax Assets on the Performance of Commercial Banks in Nigeria.

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ABSTRACT
The study focused on implications of deferred tax assets on the performance of banks in Nigeria.. Deferred tax is a result of the matching principle, which aims to recognize the tax effects of an item reported in the financial statement in the same accounting period as the item itself. A deferred tax liability is generated as a source for future application. The development of this source credited on the deferred tax expense in the current period limits the distribution of profit parts. The ex-post facto research design was used to attain the study's goal. The researcher used secondary data from the annual reports and accounts of selected commercial banks. Simple regression analysis was used to assess the data collected. The findings revealed that deferred tax has positive and significant impact on the performance of listed commercial banks in Nigeria. Based on the findings, the report suggests that firms in Nigeria incorporate tax planning into their strategic financial planning and hire tax experts to help them improve their performance due to the complexity and dynamism of Nigerian tax regulations. In addition, enterprises should use all-inclusive tax planning options available to positively influence financial performance.

Keywords: Deferred tax, Performance, Return on asset, Return on equity, Earnings per share

I. INTRODUCTION

1.0 Background to the Study

Banks play an important role of intermediation in an economy as they transfer investible funds from the surplus units to the deficit units. Putting it more succinctly, the banks make sure that there is a fair distribution of funds from those that have too much money to those that want monies to borrow (Nwaeze, Michael &Nwabekee, 2014). The banks in carrying out the intermediation functions aim to make profits. Beyond the intermediation role of the banks which enhance economic growth, the banks also contribute to the economy by paying taxes. The banks, just like other companies, pay what is referred to as Companies Income Tax (CIT) or corporate income tax (Festus & Samuel, 2007). Companies' income tax (as it is called in Nigeria) is a type of tax on the profits of corporate entities during one accounting year (Chude&Chude, 2015). In filing for companies' income tax or corporate income tax, audited financial statements of the companies (the banks included) are statutorily required. To audit the financial statements, the banks engage the services of external auditors who prepare and certify the accounts which are to be submitted to the tax authorities (Kariuki, 2017). Such returns to be submitted to the tax authorities are mandatorily expected to be accompanied by tax computations and capital allowances on qualifying assets of the banks. These processes and procedures portray companies' (or corporate) income tax as a complicated form of tax.

Interestingly, in the payment of the companies'(corporate) income tax, the Inland Revenue Service (IRS) does not allow the companies to deduct expenses made for warranties until the warranty event has occurred (Gallemore, 2011). Hence, situations arise where a company has over-paid taxes on its comprehensive statement of affairs. This over-payment is what is referred to as tax assets or deferred tax assets (White, 2014). Tax assets are said to have a direct effect on a company's cash flow for future years. This is against the backdrop that increasing tax assets indicate that a company has accumulated future deductions and therefore has earned a positive cash flow (Laux, 2013). Because tax assets represent the difference between what the companies were made to pay as tax and the actual amount they should have paid, the balance is expected to be eventually returned to the companies in form of tax relief.

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According to Amir, Kirschenheiter and Willard (1997), tax assets is of primary importance to the investors because increases in deferred tax assets is an indicator to the investors thatacompany could pay a lower tax rate in future years and thus has the potentials of increasing shareholders' value.

In the banking sector, there has been a debate on the relationship between banks' deferred tax assets and the performance of the banks. This debate has become more pronounced after the global financial crisis. The bankers argued that as the size of the deferred tax assets increase relative to total assets, the banks tend towards achieving and/or maintaining the regulatory capital. Thus, the banks specifically target the deferred tax assets component of capital as a potential method for improving their ability to meet the regulatory capital and as a way of mitigating credit risk. On the other hand, the Basel committee on banking supervision argued that undue reliance on tax assets was not appropriate for prudential purposes because the tax assets (deferred tax assets) may not provide any protection to depositors in insolvency and also they can be suddenly written off in a period of distress (Haskins &Simko, 2011).

The Nigerian banking system is not isolated from the above arguments as it is part of the global financial system. The banks in Nigeria also record different categories of deferred tax assets in their balance sheets at different periods. Thus, it becomes important to bring this argument home by investigating the implications of tax assets on the performance of commercial banks in Nigeria. Thus, the need to have an empirical backing to the argument necessitated this study.

1.1 Statement of the Problem

Deferred tax assets usually expire within a short period of time not exceeding 20 years. Thus, even if a bank accumulates huge tax assets, it may not really lead to an increase in the performance of the bank. This is against the backdrop that if a bank is unable to use all of its deferred tax assets before they expire, they must write off the remaining thereby reducing shareholders' value. As shareholders' value decrease, investors are discouraged from making further investment in the banks and this leads to a fall in the performance of the banks.

1.2 Objectives of the Study

The main objective of the study was to examine the implications of deferred tax assets on the performance of commercial banks in Nigeria. The specific objectives of the study are:

(i) To investigate the effect of deferred tax assets on return on asset of commercial banks in Nigeria.
(ii) To determine the effect of deferred tax assets on return on equity of commercial banks in Nigeria.
(iii) To examine the effect of deferred tax assets on earnings per share of commercial banks in Nigeria.

1.3 Research Questions

To achieve the specific objectives, the study sought to provide answers to the following questions:

(i) To what extent do deferred tax assets affect return on asset of commercial banks in Nigeria?
(ii) To what extent do deferred tax assets affect return on equity of commercial banks in Nigeria?
(iii) To what extent do deferred tax assets affect earnings per share of commercial banks in Nigeria?

1.4 Statement of Hypotheses

Two hypotheses were tested in the study and they are in their null forms as follows:

(i) H_0: Deferred tax assets do not have significant effect on return on asset of commercial banks in Nigeria.
(ii) H_0: Deferred tax assets do not have significant effect on return on equity of commercial banks in Nigeria.
(iii) H_0: Deferred tax assets do not have significant effect on earnings per share of commercial banks in Nigeria.

II. LITERATURE REVIEW

2.1 Conceptual Literature

2.1.1 Concept of tax assets

Tax assets have been defined as the amount of income taxes which can be recovered in future periods that arise from temporary book-tax differences. The book-tax difference represents the differences between the book value of an asset and its tax base that will result in taxable amount when the book value of an asset is settled. Thus, tax assets can be recovered through three main sources namely deductible temporary differences, the carry forward of unused tax credits and the carry forward of unused tax losses. In the views ofGallemore (2011), tax assets arise if the carrying value of an asset is less than its tax base. Because tax base means the amount deductible for tax purposes, it then means that tax assets indicates accumulated future deductions which leads to a future positive cash flows. According to Amir and Sougiannis (1999), tax assets represent future tax benefits as

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tax assets have a direct link with firm's value. Thus, if deferred tax assets arise from past operating losses, market participants may perceive the firm to be risky which undermines firm's value. More so, if deferred tax assets arise from past operating losses, it is likely that the firm may incur future losses and even potentially unable to realize future benefits from its tax assets.

2.1.2 Concept of Performance

The inability of academicians and scholars to arrive at a conclusive definition of performance has made it an ever-evolving and controversy phenomenon to define. However, the consensus in literature is that performance is broadly categorized into two namely financial performance and organizational performance (Tudose, 2012). Irrespective of this broad categorization, performance generally means maximization of firms' returns, increased growth, increased customer satisfaction and overall profit maximization (Barbosa &Louri, 2005). Narrowing it down, financial performance is made up of varying degrees of financial achievements of a firm which includes profit maximization, maximization of return on assets of the firm, maximization of shareholders' return, maximization return on investment, increase in earnings per share, increased dividend yield, increase in price/earnings ratio, increased sales growth and impressive market capitalization. On the other hand, organizational performance encompasses all the ingredients of financial performance such as profit maximization, increased return on investment, increased earnings per share, increased shareholders' return, increased dividend yield etc but it specifically looks at the organizational targets of the firm (Graham & Harvey, 2001).

Based on the different conceptualization of performance, several measurements have also emerged. These measurements are dependent on what the objectives or targets of the organization are. Thus, the measurement of performance has been categorized into modern accounting indicators, hybrid indicators, market indicators and financial indicators. Modern accounting indicators include performance indicators such as net profit, earnings per share, operating profit, earnings before interest and taxes, return on assets and return on equity. On the other hand, financial indicator is mainly the net profit value while market indicators are market value added and total shareholders' return. Finally, hybrid indicators are combinations of the accounting and financial indicators and include economic value added, cash flow and return on investment (Chakravarthy, 1986).

2.2 THEORETICAL FRAMEWORK

2.2.1 Ability to pay theory

Ali-Nakyea proposed the ability to pay theory in 2008. The most widely acknowledged notion of fairness or justice in taxation is that citizens of a country should pay taxes to the government in proportion to their ability to pay. It appears very reasonable and just that taxes be assessed based on an individual's taxable capacity. For example, if person A has a higher taxable capacity than person B, the former should be required to pay more taxes than the latter. It appears that levying taxes based on the above-mentioned premise will result in justice. But our problems do not stop there. The truth is that when we put this idea into reality, our problems begin. The problem stems from the concept of ability to pay. Economists disagree on what the precise measure of a person's ability or faculty to pay should be.

Benefit Theory

According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government. This principle has been subjected to severe criticism on the following grounds:

Firstly, if the state maintains a certain connection between the benefits conferred and the benefits derived. It will be against the basic principle of the tax. A tax, as we know, is compulsory contribution made to the public authority's to meet the expenses of the government and the provisions of general benefit. There is no direct quid pro quo in the case of a tax. Secondly, most of the expenditure incurred by the slate is for the general benefit of its citizens, it is not possible to estimate the benefit enjoyed by a particular individual every year.

Thirdly, if we apply this principle in practice, then the poor will have to pay the heaviest taxes, because they benefit more from the services of the state. If we get more from the poor by way of taxes, it is against the principle of justice?

2.3 Empirical Literature

There is dearth of empirical literature on the implication of tax assets on the performance of firms.

Nwaogu, Tapang, Abiahu, and Iormbagah (2019) investigated the impact of deferred tax accounting on the financial performance of Nigerian listed agricultural enterprises. The study used an ex-post facto research design with data

from four publicly traded agricultural enterprises. The data, which spans seven years from 2011 to 2017, was analyzed using basic linear regression. According to the findings, deferred tax accounting has a favorable and considerable impact on the cash flow and earnings per share of listed agricultural enterprises in Nigeria. Due to the complexity of the accounting standard for deferred tax, the report proposes that enterprises in Nigeria incorporate tax planning into their strategic financial planning by utilizing effective accounting for deferred tax.

Olaoya and Bamisaya (2018) investigated the relationship between deferred tax and financial performance of Nigerian firms by examining the impact of both deferred tax asset and deferred tax liability on firm performance as measured by profit after tax, earnings per share, return on assets, and return on equity. They analyzed data from 10 listed firms on the Nigerian stick exchange market using panel-based estimating methodologies. They discovered that deferred tax assets and liabilities have a negative impact on performance of firms sampled in the study.The influence of delayed taxation on banking profitability and capital adequacy was investigated by Kyriazopoulus, Makriyiannis, and Logotheti (2019). The Greek banking system provides evidence. From 2014 to 2018, four Greek national banks were used in the study. According to the report, delayed taxes is of special relevance to Greek banks, affecting their operational framework and potential for participation in the development of the Greek economy.

Udeh and Ezejiofor (2018) conducted research on the impact of accounting information on deferred taxation in Nigeria, focusing on deposit money banks. The ex post facto study design was used, and data were gathered from the annual reports and accounts of Nigerian deposit money banks. The hypotheses were tested using pooled multiple regression analysis. According to the study, earnings per share (EPS) and cash flow (CF) have a negative influence on deferred tax.

Harford, Klasa, and Walcott (2009) conducted research on deferred tax positions and incentives for company behavior in the context of corporate tax transitions from one tax regime to another. They collected disaggregated deferred tax position data for a sample of significant U.S. firms between 1993 and 2004 to investigate how these positions might affect firm behavior before and after a previously stated adjustment in the statutory corporation tax rate. Their findings imply that large U.S. firms' varied deferred tax situations cause significant heterogeneity in the short-run consequences of tax rate changes on reported earnings. They suggested that there should be Knowledge the political economy of corporation tax reform requires an understanding of these contrasting incentives.

Amir, Kirschenheiter and Willard (1997) carried out an empirical examination into the relationship between deferred tax assets and valuations by investors. The study adopted different components of deferred tax assets namely restructuring charges, depreciation and employee benefits. Findings showed that deferred tax assets associated with restructuring charges have larger valuation coefficient than deferred tax assets related to employee benefits. The study also showed that deferred tax liabilities related to depreciation has a valuation coefficient that tends close to zero. The study concluded that investors do not believe that deferred tax liabilities are true liabilities while deferred tax assets related to restructuring charges are seen as true assets.

Amir and Sougiannis (1999) investigated the impact of deferred tax position on investors' equity valuation. The study adopted deferred tax assets as measure for deferred tax position. The study revealed that deferred tax assets from tax loss carry-forwards have a positive relationship with investors' equity valuation. However, two conflicting effects were observed to influence the valuation of investors in the study namely the measurement effect and information effect. The study argued that the measurement effect stems from the fact that deferred tax assets represent future tax savings and therefore increases investors' equity standing. On the other hand, the study argued that information effect stems from the fact that presence of a loss carry-forward from previous years signifies probability of future losses.

Gallemore (2011) investigated the relationship between credit risk and deferred tax assets component of bank regulatory capital, The study specifically looked at the probability of failure for banks with varying degrees of deferred tax assets. The study adopted the hazard model to test a sample of commercial banks. Findings showed that there is a positive relationship between increasing proportion of deferred tax assets in regulatory capital and bank failure during the recent financial crisis. This is an indication that banks with larger proportion of regulatory capital composed of deferred tax assets have higher probability of failure. The outcome of the study was attributed to the fact that the benefits of deferred tax assets cannot be realized unless banks generate positive taxable income.

Haskins and Simko (2011) investigated the size of net deferred tax assets and deferred tax

International Journal of Advances in Engineering and Management (IJAEM)
Volume 5, Issue 3 March 2023, pp: 95-104 www.ijaem.net ISSN: 2395-5252

liabilities on 2010 corporate bank sheets of all traded companies and S & P 500 companies. Findings showed that the mean size of the net deferred tax liabilities was 5.11% for all companies and 5.82% for the S & P 500 companies. On the other hand, the study showed that the mean size of the net deferred tax assets was 3.92% for all companies and 3.64% for S & P companies. Thus, the study concluded that deferred tax assets feature prominently in all companies balance sheet.

White (2014) examined the relationship between deferred tax assets and credit risk. Credit risk was proxied by credit rating and served as the dependent variable while deferred tax assets was used as the independent variable. The control variables adopted in the study include firm size, earnings before extraordinary items/lagged total assets ratio, operating cash flow/lagged total assets ratio, times-interest-earned ratio, book-to-market ratio, long term debt/total assets ratio, research and development expenses/lagged total assets ratio, standard deviation of return on assets over the past five years, standard deviation of daily stock returns, dummy of 1 for firm-years with subordinated debt and zero otherwise, accrual quality, deciles rank of book-tax differences for firm-years, deciles rank of the absolute value of book-tax differences for firm-years, deferred tax valuation allowance and intangible assets/total asset ratio. The study made use of a sample of 4,719 firms and employed descriptive statistics and ordered Logit regression method as analytical tools. Findings showed that a negative and significant relationship exists between deferred tax assets and future credit rating for companies. The implication of this outcome is that credit analysts do not value deferred tax assets as assets. The study further revealed that moving from the first to third quartile of deferred tax assets decreases the average firm's probability of credit rating upgrade from 9.2% to 7.8%. Finally, the study revealed that moving from the first to third quartile of deferred tax assets increase the average firm's probability of a credit rating downgrade from 9.7% to 11.4%.

Kariuki (2017) investigated the effect of corporate tax planning on the financial performance of listed companies in Kenya for the period 2012 to 2016. The study relied on data collected from 64 (sixty-four) listed companies in the Nairobi Stock Exchange. The study adopted tax planning as the independent variable while return on assets was used as the dependent variable. In the study, tax planning was measured by current income tax expenses/profit before tax ratio, current ratio, firm size and leverage. Both descriptive cross-sectional research design and multiple regression technique were employed as analytical tools. Findings showed that current ratio had a positive and significant effect on the performance of listed companies in Kenya. On the other hand, the study showed that leverage had a negative and significant effect on financial performance of listed companies while firm size had no significant effect on financial performance of listed companies.

III. METHODOLOGY

3.1 Research Design

The study adopted the ex-postfacto research design. The ex-post facto research design is considered in this study because of its cause-effect nature. Based on the specific objectives of the study, efforts are made to establish the effect of the independent variables (i.e. deferred tax assets and total assets) on the dependent variable (i.e. profit after tax) using existing data. According to Osuala (2010), the ex-postfacto research design is appropriate and preferred in a cause-effect relationship where there is already existing data which cannot be manipulated by the researcher. Given that the data on profit after tax for the selected commercial banks in Nigeria already exists as well as data on the independent variables namely deferred tax assets and total assets, the ex-post facto research design is considered most appropriate for the study.

3.2 Sources of Data

The study made use of secondary data which were collected from the annual reports and financial statements of accounts of the selected commercial banks namely Access Bank, First Bank, Guaranty Trust Bank, Skye Bank and United Bank for Africa from 2012 to 2021. Data on deferred tax assets, return on asset, return on equity and earnings per share were all collected from the annual reports and financial statements of accounts of the selected commercial banks for the various periods covered in the study.

3.3 Model Specification

The models for the study are specified as:
This study develops the following model for the researcher to employ in the investigation.

$$\mathbf{ROA_{it}} = \boldsymbol{\alpha} + \boldsymbol{\beta_1}\,\mathbf{DTAX_{it}} + \varepsilon_t$$

$$\mathbf{ROE_{it}} = \boldsymbol{\alpha} + \boldsymbol{\beta_1}\,\mathbf{DTAX_{it}} + \varepsilon_t$$

$$\mathbf{EPS_{it}} = \boldsymbol{\alpha} + \boldsymbol{\beta_1}\,\mathbf{DTAX_{it}} + \varepsilon_t$$

Where;
$\boldsymbol{\alpha}$ = Constant
ROA =return on asset (profit after tax divided by net asset)
ROE = return on equity (profit after tax divided by shareholders fund)

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Volume 5, Issue 3 March 2023, pp: 95-104 www.ijaem.net ISSN: 2395-5252

EPS = Reported Earnings per share of the firm at a time
DTAX = Deferred Tax Asset
it= Cross-sectional ($_i$) time ($_T$)
Ɛ= Error term used in the model.
β_1 = Beta coefficient of the independent variable.
Decision Rule: Accept the null hypothesis if the calculated value is greater than the significant level of 0.05.

IV. RESULTS AND DISCUSSIONS

The study focused on the implications of tax assets on the performance of banks in Nigeria.Deferred tax asset was used as an independent variable while return on asset (ROA), return on equity (ROE) and earnings per share (EPS) were used as proxies for the dependent variable (performance).

Table 1: Impact of deferred tax on return on asset

Dependent Variable: ROA
Method: Least Squares
Date: 22/02/23 Time: 16:38
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.076020	0.093107	-0.816475	0.4183
LOGDEFTAX	0.024491	0.013946	1.756102	0.0855

R-squared	0.060369	Mean dependent var	0.086600
Adjusted R-squared	0.040794	S.D. dependent var	0.069886
S.E. of regression	0.068446	Akaike info criterion	-2.486360
Sum squared resid	0.224874	Schwarz criterion	-2.409879
Log likelihood	64.15899	Hannan-Quinn criter.	-2.457235
F-statistic	3.083893	Durbin-Watson stat	0.686632
Prob(F-statistic)	0.085450		

The table 1 above shows the regression results on the impact of deferred tax asset on return on asset of commercial banks in Nigeria.

The result of the objective one showed that deferred tax asset have R^2 of 0.060 on return on asset (ROA), which simply implies that 6.0 total variations in ROA is explained by deferred tax. It has a coefficient of 0.024491 which implies that 1 percent increase in deferred tax asset would lead to 0.024491 increase in the ROA of commercial banks in Nigeria. Since the probability of F-statistics (0.085) is greater than 0.05, it implies that deferred tax has positive but insignificant impact on return on asset of listed commercial banks in Nigeria. The finding is in contrary to the findings of Olaoya and Bamisaya(2018) that studied the effect of deferred tax and financial performance of firms in Nigeria by analysing the effect of both deferred tax asset and deferred tax liability on firm performance measured in terms of profit after tax, earnings per share, return on assert and return on equity. They found out that deferred tax asset and deferred tax liability exert negative impact on performance of banks sampled in the study.

Table 2: Impact of deferred tax on return on equity

Dependent Variable: ROE
Method: Least Squares
Date: 22/02/23 Time: 16:40
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.522454	0.479404	-1.089799	0.2812
LOGDEFTAX	0.123410	0.071807	1.718632	0.0921

International Journal of Advances in Engineering and Management (IJAEM)
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R-squared	0.057968	Mean dependent var	0.297000
Adjusted R-squared	0.038343	S.D. dependent var	0.359383
S.E. of regression	0.352426	Akaike info criterion	0.791225
Sum squared resid	5.961789	Schwarz criterion	0.867706
Log likelihood	-17.78062	Hannan-Quinn criter.	0.820349
F-statistic	2.953694	Durbin-Watson stat	0.609370
Prob(F-statistic)	0.092126		

The table 2 above shows the regression results on the impact of deferred tax on return on equity of commercial banks in Nigeria.

The result of the objective one showed that deferred tax have R^2 of 0.058 on return on equity (ROE), which simply implies that 5.8 total variation in ROE is explained by deferred tax. It has a coefficient of 0.123410 which implies that 1 percent increase in deferred tax would lead to 0.123410 increase in the ROE of commercial banks in Nigeria. Since the probability of F-statistics (0.092) is greater than 0.05, it implies that deferred tax has positive but insignificant impact on return on equity of listed commercial banks in Nigeria. The finding is in contrary to the findings of Olaoya and Bamisaya(2018) that studied the effect of deferred tax and financial performance of firms in Nigeria by analysing the effect of both deferred tax asset and deferred tax liability on firm performance measured in terms of profit after tax, earnings per share, return on assert and return on equity. They found out that deferred tax asset and deferred tax liability exert negative impact on performance of banks sampled in the study.

Table 3: Impact of deferred tax on earnings per share

Dependent Variable: EPS
Method: Least Squares
Date: 22/02/23 Time: 16:40
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.390503	2.085562	-1.625702	0.1106
LOGDEFTAX	0.776664	0.312385	2.486237	0.0164

R-squared	0.114087	Mean dependent var	1.766600
Adjusted R-squared	0.095630	S.D. dependent var	1.612190
S.E. of regression	1.533167	Akaike info criterion	3.731726
Sum squared resid	112.8288	Schwarz criterion	3.808206
Log likelihood	-91.29314	Hannan-Quinn criter.	3.760850
F-statistic	6.181373	Durbin-Watson stat	0.559663
Prob(F-statistic)	0.016443		

The table 3 above shows the impact of deferred tax on earnings per share of commercial banks in Nigeria.

The result showed that R^2 has the value of 0.114 which simply implies that 11.4percent variation in EPS is explained or caused by deferred tax. The coefficient of 0.776664 which implies that 1 percent changes in deferred tax would lead to 0.776664change in the EPS of commercial banks in Nigeria. Since the probability of F-statistics (0.016) is less than 0.05, it implies that deferred tax has positive and significant impact on earnings per share of listed commercial banks in Nigeria. The finding is consistent to the findings of Nwaogu, Tapang, Abiahu&Iormbagah (2019) that examined the effect of deferred tax accounting on financial performance of listed agricultural firms in Nigeria. Their findings revealed that deferred tax accounting has a positive and significant effect on both cash flow and earnings per share of the listed commercial banks in Nigeria.

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V. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The following are the summary of the major findings.

- **i.** Deferred tax asset has a positive impact on return on asset of firms but has no statistical significant impact on the return on asset of listed commercial banks in Nigeria.
- **ii.** Deferred tax asset has a positive impact on return on equity of firms but has no statistical significant impact on the return on equity of listed commercial banks in Nigeria.
- **iii.** Deferred tax asset has both positive and significant impact on earnings per share oflisted commercial banks in Nigeria.

5.2 Conclusions

This study was carried out with the broad objective of examining the implication of deferred tax on the performance of commercial banks in Nigeria. In accounting theory, there is no doubt about the importance of deferred tax when making tax plans, the purpose of which is to correct the influence of due income tax on the financial performance of firms. Deferred tax is an outcome of the matching principle aiming at recognising the tax consequences of item reported with the financial statement in the same accounting period as the item itself. A source for the future application is created in the form of a deferred tax liability. The creation of this source credited on the deferred tax expenditure in the current period will cause the limitation of the distribution of the parts of profit that were not subject to due income tax to funds created from the profit, or among shareholders. However, the study concludes that deferred tax has positive but insignificant impact on return on asset and return on equity of commercial banks in Nigeria but has both positive and significant impact on earnings per share of commercial banksin Nigeria.

5.3 Recommendations

In consonance with this study's findings, it is recommended that:

i. Commercial banks in Nigeria should make tax planning as part of the firm's strategic financial planning, employ the service of expertise in tax practices due the complexity and dynamitic of Nigeria tax laws this would help in enhancing their performance.

ii. Commercial banks should effectively utilize all-inclusive tax planning strategies available in order to further influence financial performance positively.

iii. Commercial banks in Nigeria should not pursue accumulation of tax assets as it does not significantly increase their performances (in terms of profit after tax and return on assets).

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APPENDIX

BANKS	YEAR	DEFTAX	ROA	ROE	LOGDEFTAX	EPS
FIRST BANK	2021	23,281,997	0.03	0.08	7.36702023	0.48
FIRST BANK	2020	17,854,115	0.02	0.05	7.25173833	-0.33
FIRST BANK	2019	23,171,027	0.04	0.1	7.36494528	0.12
FIRST BANK	2018	24,554,471	0.05	0.12	7.39013058	0.08
FIRST BANK	2017	26,666,864	0.09	0.18	7.42597195	0.42
FIRST BANK	2016	29,876,508	0.08	0.17	7.47532984	0.63
FIRST BANK	2015	31,914,564	0.11	0.22	7.50398892	1.48
FIRST BANK	2014	27,833,732	0.12	0.26	7.44457144	0.56
FIRST BANK	2013	21,830,000	0.1	0.27	7.33905374	0.29
FIRST BANK	2012	22,384,550	0.1	0.27	7.34994837	1
ACCESS BANK	2021	758,240	0.01	0.03	5.87980669	0.08
ACCESS BANK	2020	218,171	0.03	0.07	5.33879702	0.05
ACCESS BANK	2019	884,870	0.04	0.08	5.94687947	0.29
ACCESS BANK	2018	734,382	0.03	0.06	5.86592202	3.14
ACCESS BANK	2017	290,024	0.01	0.03	5.46243394	0.1
ACCESS BANK	2016	187,708	0.01	0.03	5.27348278	3
ACCESS BANK	2015	348,294	0.04	0.09	5.54194599	-32
ACCESS BANK	2014	523,867	0.07	0.17	5.71922104	1.77
ACCESS BANK	2013	476,448	0.14	0.25	5.67801551	1.52
ACCESS BANK	2012	113,989	0.08	0.17	5.05686294	1.53
GT BANK	2021	10,877,427	0.01	0.02	7.03652618	1.79
GT BANK	2020	8,512,625	0.09	0.17	6.9300635	2.04
GT BANK	2019	13,800,562	0.03	0.06	7.13989677	2.22
GT BANK	2018	13,598,563	0.04	0.08	7.13349302	2.2
GT BANK	2017	13,506,315	0.01	0.04	7.13053687	2.52
GT BANK	2016	12,940,815	0.01	0.05	7.11196163	3.2

GT BANK	2015	13,341,236	0.06	0.16	7.12519607	3.83
GT BANK	2014	12,559,441	0.07	0.21	7.09897031	0.82
GT BANK	2013	11,955,673	0.1	0.26	7.07757403	1.19
GT BANK	2012	10,902,749	0.13	0.37	7.03753601	1.4
UBA	2021	12,587,716	0.13	1.87	7.09994694	3.19
UBA	2020	11,984,354	0.16	1.34	7.07861463	3.01
UBA	2019	12,456,944	0.24	1	7.09541151	3.16
UBA	2018	11,374,268	0.26	0.86	7.05592346	3.36
UBA	2017	10,404,871	0.23	0.75	7.0172367	4.12
UBA	2016	5,186,338	0.05	0.26	6.71486082	5.66
UBA	2015	6,563,548	0.2	0.62	6.81713867	6.15
UBA	2014	5,270,723	0.21	0.62	6.72187019	6.65
UBA	2013	6,086,480	0.21	0.55	6.7843662	7.34
UBA	2012	4,958,723	0.24	0.62	6.69536985	2.67
SKYLE BANK	2021	1,063,404	0.03	0.05	6.02669829	0.17
SKYLE BANK	2020	163,101	0.04	0.06	5.21245662	1.02
SKYLE BANK	2019	894,439	0.07	0.11	5.95155073	0.57
SKYLE BANK	2018	3,652,125	0.08	0.13	6.56254563	2.3
SKYLE BANK	2017	4,484,871	0.06	0.1	6.65174996	2.16
SKYLE BANK	2016	3,942,337	0.04	0.26	6.59575375	2.55
SKYLE BANK	2015	3,060,591	0.02	0.15	6.4858053	0.09
SKYLE BANK	2014	2,853,240	0.05	0.32	6.4553383	0.36
SKYLE BANK	2013	2,466,026	0.11	0.5	6.39199765	1.37
SKYLE BANK	2012	1,233,244	0.15	0.56	6.09104901	1.65