

**WEST AFRICAN JOURNAL OF BUSINESS AND MANAGEMENT SCIENCES
FACULTY OF BUSINESS ADMINISTRATION
IMO STATE UNIVERSITY, OVERRI
NIGERIAN EDITION
VOL. 10 NO. 1 MARCH 2021**

THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

AKAN DAVID CHUCKS PhD.

**Department of Accounting, Banking and Finance,
Faculty of Management Sciences,
Delta State University,
Asaba Campus – Delta State**

ALOAMAKA JUDITH IFEANYI

**Department of Business Administration,
Faculty of Management Sciences,
Delta State University,
Asaba Campus – Delta State**

And

DOKAI-OKONKWO NKEM CHRISTABEL

**Department of Business Administration,
Delta State Polytechnic,
Ogwashi-Uku, Delta State**

Abstract

The study of deferred tax and corporate performance is not a new one. IAS 12 has been in existence since 1996 and since then accountants and tax experts have been studying the phenomena intending to ascertain how it can be used to influence the performance of corporate bodies. Most of the study, however, did not focus on the Nigerian Banking system; and the few that studied the banking industry did not diagnose their data which could result in a spurious result. This study, therefore, evaluated the effect of deferred tax on the performance of quoted banks in Nigeria. Three sampled banks were judgmentally selected. Augmented dickey fuller unit root test was applied to know whether the data were stationary and were detrended where necessary. The variables that proxied performance was EPS, Cash flow, PAT, and Total Assets. The outcome from the basic regression revealed that deferred tax doesn't impact significantly the performance of banks in Nigeria. The examination along these lines suggests that organizations ought to keep away from so much as could be expected, varying taxation rate into a future that isn't sure.

Keywords: Deferred Tax, Earnings per Share, Profit after Tax, Cash flow, Total Asset, Banks' Performance

Introduction

The main purpose of setting up a business is to maximize profit. It is therefore imperative to consider factors that can influence profitability. Without adequate profitability, businesses will close up as quickly as they were set up. This has been the case in recent times

AKAN DAVID C. PHD., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

even in the banking industry where certain banks are being taken over by bigger banks. The most recent example in Nigeria is the Diamond Bank that was taken over by Access Bank. Pieces of evidence show that Polaris banks await being taken over.

On the other hand, the International Financial Reporting standard 12 – Income Tax specifies rules for presenting Deferred Tax. This standard specifies when and how duty ought to be deferred. Tax deferral is a top management approach; in any case, the worth of deferred tax and deferred tax savings isn't evident when seen from the statement of finance over an extensive period. Prior to IFRS 12, we had the flow-through model which did exclude deferral tax reporting. The statement of the financial report of associations in many nations is in view of the IFRS as given by the International Accounting Standard Board (IASB) and those IASs that have not been superseded. In 2001 the IASB was framed and it displaced the International Accounting Standard Committee (IASC). The IASC gave the International Accounting Standard (IAS), while the IASB issues the IFRS. Today, some of the IASs have been replaced by the IFRSs.

Deferred tax arises because profit declared by the company using the IFRSs and IASs (otherwise referred to as accounting profits) are different from the taxable profits as stipulated by tax regulations. These regulations differ from country to country.

Tax is an expense that invariably reduces the profit of the organization. Also, investors will only invest in any organization based on assumptions on future values. The amount an investor is willing to pay out will depend on his expectations of future returns from the organization. Consequently, this study desires to evaluate, the effect that deferred tax on the performance of quoted banks in Nigeria.

Statement of Problem

Profitability is a major factor that determines the continuity of any profit-oriented business; investors will only be interested in the businesses that have the prospect of increasing their net worth via making more profit.

In computing for deferred tax, IAS 12 – Income Tax allows the balance sheet liability method. This strategy sees deferred tax that identifies with the statement of comprehensive income to be conveyed in the statement of financial position and it is to be applied at a later date (Gatsi, Gadzo, and Kportorgbi, 2013). The tax rate to be utilized is the rate appropriate on that future date when the rate is applied. As per Chludek (2011), he placed that the transitory contrast bringing about deferred tax may incorporate those that didn't go through the statement of comprehensive income which when applied to it would lessen the profit implied for appropriation to investors.

Besides, Nwaorgu, Abiahu, Tapang, and Iormbagah, (2019) examined the impact that deferred tax has on the financial performance of listed agricultural firms in Nigeria. The study hopes to modify this research by accessing the banking sector to ascertain whether the findings of Nwaorgu, Abiahu, Tapang, and Iormbagah, (2019) apply also to the banking sector.

Objective of the Investigation

The expansive goal of this study is to examine the impact of deferred tax on the performance of listed banks in Nigeria. In particular, this investigation will:

1. Break down the impact of deferred tax on the Earnings Per Share of the Nigerian listed banks.

2. Research the degree that Profit after Tax of the Nigerian listed banks has been impacted by deferred tax reporting.
3. Assess the degree that deferred tax has impacted the income of listed banks in Nigeria.
4. Access the impacts of deferred tax on the complete resources of listed banks in Nigeria.

Research Questions

This study will answer the following questions:

- i. How has deferred tax influenced earnings per share of the Nigerian quoted banks?
- ii. To what extent has profit after tax of the Nigerian quoted banks been influenced by deferred tax reporting?
- iii. To what extent has deferred tax influenced the cash flow of quoted banks in Nigeria?
- iv. What are the effects of deferred tax on the total assets of quoted banks in Nigeria?

Hypotheses

- H₀₁:** Deferred tax has not significantly and positively affected the earnings per share of quoted banks in Nigeria.
- H₀₂:** Deferred tax has not significantly and positively affected the profit after tax of quoted banks in Nigeria.
- H₀₃:** Deferred tax has not significantly and positively affected the cash flow of quoted banks in Nigeria
- H₀₄:** Deferred tax has not significantly and positively affected the total assets of quoted banks in Nigeria

Survey of Related Literature

Conceptual Review

IFRS 12 clarify deferred tax as that measure of income payable in a future accounting period because of a transitory contrast. Deferred Tax can be partitioned into two: Deferred Tax Asset and Deferred Tax obligation (Halim, Veysel and Baykut, 2015).

Deferred Tax Asset:

This occurs when an organization overpays taxes which qualifies it for some tax relief. (Olaoye and Bamisaye, 2018). Deferred Tax Assets are deductible brief contrasts to be used in a future accounting period. Deferred tax assets should be recognized either when a company makes a net loss (as long as there are expectations that there is over 50% probability that the company will make a profit in the next accounting period) or when it incurs allowable expenses such as bad debt write-offs or losses on mark-to-market for which there was no immediate tax relief. This means that future tax payments would be reduced by applying deferred tax assets.

Deferred tax liability:

These are tax payable in a future accounting period. Deferred tax liability arises when there is a future taxable amount as a result of a current temporary difference. Deferred tax liability could arise as a result of sale receivable (as long as the gains from the receivables are recognized in the future computation of taxable income), accelerated depreciation on a non-current asset following tax regulations as long as it is different from the accounting rate for recognizing accounting depreciation. The purchase of a non-current asset will usually attract tax relief in the form of capital allowances or tax depreciation which is usually at a different rate from the rate at which depreciation is charged to profit. It is important to note that where a tax

AKAN DAVID C. PHD., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

liability is ignored the current year's profit is inflated which would result in higher taxes in the future. This will result in declaring lower profit after tax in the future accounting period. It invariably means that shareholders' earnings per share declared the year the non-current asset was bought is misleading. Also, the matching concept has not been complied with because the tax recognized now has the elements of future income generated by the same non-current asset in the future accounting period (BOLAJI, 2020).

Financial Performance

The basic factor most investors and other stakeholders in any organization look out for is the financial performance of that organization. Financial performance shows the level of success of any profit-making organization. It is that indicator that defines how efficient and effective an organization is. Financial performance is either result determinants or results-oriented. It is result determinants when it has to do with the inputs such as the quality of materials, how the resources are utilized etc; while result-oriented deals with the actual output, level of competition regarding profitability (Encyclopedia of Business, 2011). Financial ratios are often used to measure the performance of an organization.

Related Investigations

In an examination did in Nigeria by Nwaorgu, Abiahu, Tapang, and Iorombagah (2019), the impact of deferred tax on the performance of agricultural firms recorded on the Nigerian stock trade was assessed. The sample size utilized is four listed firms with information covering seven years. The consequence of the linear regression showed that deferred tax accounting affects the performance of recorded agricultural firms in Nigeria. It anyway didn't affect the cash flow and profit after tax of the recorded agricultural firms in Nigeria.

The study by Olaoye and Bamisaye (2018) showed a rather different result from that of Nwaorgu, Abiahu, Tapang, and Iorombagah (2019). They investigated the influence of deferred tax on the financial performances of firms in Nigeria. Ten firms along various sectors were chosen and secondary data covering 2007-2016 were collected for the examination. These variables were investigated utilizing ordinary least square panel estimator and other diagnostic tools. The investigation showed that deferred tax asset and deferred tax liability has a negative impact on the performance of the chosen firms.

Certain examinations researched deferred tax and. These studies include Noor, Mastuki, and Aziz (2007) who investigated whether firms in Bursa Malaysia use deferred tax expense in mitigating a decline in earnings or avoiding a loss. The study showed that the sampled firms use deferred tax expenses including discretionary accruals to evade losses; they however did not find support for using the same method to avoid a decline in earnings.

Also, Ifada and Wulandari (2015) studied the matrix of using deferred tax expense in managing taxable income including subsequent tax payments. The study revealed that deferred tax has a significant influence on earnings management. They further discovered, however, that deferred tax did not support company size nor the tax planning activities that affect earnings management. Again, Phillips, Pincus, Rego, and Wan (2004) had a similar finding in their study. They compared the changes in earnings with the changes in the deferred tax. Furthermore, the study asserts that where there are changes in the deferred tax account in concerning expense accruals and reserves it would influence earnings management.

Also, Bauman, Bauman, and Halsey (2001) evaluated earnings management and whether it could be influenced by deferred tax evaluation using a sample size of 500 fortune firms. The result revealed that it is not possible to define the earnings outcome of a valuation change from the financial statement disclosures. They further discovered that effective tax reconciliation give values better than changes in valuation account.

Schrand and Wong (2003) investigated whether high deferred tax assets can influence earnings management in banks. The study showed that there were hidden reserves created by banks for high valuation allowances that were associated with the deferred tax. These reserves were used in managing earnings.

Evaluating the importance of precise tax accounting information of firms on stakeholders' decisions concerning their tax standing, performance, and how attractive investing in them is; Eberhartinger, Genest, and Lee (2014) revealed that information on deferred tax does not significantly influence how specialist draw their conclusions. This is however true only when the value of the deferred tax is not abnormally high. In a similar study, Udeh and Ezejiolor, (2018) accessed the effect of accounting information on the deferred tax of the Nigerian quoted banks. Using multiple regression the study revealed that Earnings Per Share and Cashflow had a negative and insignificant influence on deferred tax while but the book value of equity had a significant effect.

Ying, Scott, and Micheal (2016) attempted to present a more practical method of earnings management measurement with the aid of deferred tax items. Data covering a period of 2009-2015 were collected from the China Center of Economic Research, CSMAR. The study revealed that the new method was more effective than the traditional one; thus can be used as either a complement to other earnings management tools or as a standalone tool.

Phillips, Pincus, and Rego (2003) posit that there is a high level of discretion in arriving at the financial accounting income (using GAAP) and taxable income (using tax laws). This discretion gives room for the positive management of income that would not give rise to a higher tax. The timing difference created allows for deferred tax expense, hence managers make use of both total accruals and abnormal ones to ensure that there is no decline in earnings neither is there a loss.

In another study by Petr and Hana (2017), the effect of financial reporting system on deferred tax reporting was investigated. The study compared the continental and Anglo-Saxon reporting systems. The size of the deferred tax was used to access the effect of deferred tax reporting. The study covered 2005 – 2015 and the scope was limited to companies in the chemical industry. Their result was compared with previous studies.

Kevin (2010) investigated the possibility of using deferred tax ratios in forecasting the US equity price. The study employed correlation and ordinary least square in analyzing the chosen data and the findings revealed that deferred tax predicts the movement in earnings per share, cash flow per share, and book value per share.

Thomas and Zhang (2007) studied the correlation between taxable income and the companies impending income. The result showed a correlation six months later while the study carried out by Lev and Nissim (2004) showed the existence of correlation a year after.

Osuka and Osadume (2013) evaluated the determinants of Nigerian listed banks' performance. Information was gathered from three banks in Nigeria, specifically: First Bank of Nigeria Plc, Bank Bank Plc., and United Bank for Africa Plc. The examination covered 2001–

AKAN DAVID C. PHD., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

2010. The information was examined utilizing linear regression and the outcome uncovered that asset quality, employee motivation, and capital adequacy are the primary determinants of the performance of Nigerian listed banks. Some different studies investigated organization income tax and revenue generation.

In an examination did in Nigeria, Madugba, Ekwe, and Kalu, (2015) assessed the impact of income generated by the Nigerian Government from Petroleum tax. The study examined petroleum income tax and government absolute income generated for the period 1981 – 2014. Ordinary least square and Pearson correlation were the logical instruments utilized. The outcome uncovered a positive connection among PIT and government combined income. Likewise, CIT had a positive Government consolidated income

Summary of Review

There is quite a hand full of studies on deferred tax. Nwaorgu, Abiahu, Tapang, and Iorombagah (2019) studied the effect of deferred tax on the performance of agricultural firms in Nigeria. Olaoye and Bamisaye (2018) widened their horizon by studying the influence of deferred tax on the financial performances of firms in Nigeria. Some other studies evaluated the possibility of using deferred tax to manipulate earnings (Mastuki, and Aziz, 2007; Ifada and Wulandari, 2015; Phillips, Pincus, Rego, and Wan, 2004; Bauman, Bauman and Halsey, 2001; Schrand and Wong, 2003). Some others delved into the study of accounting information about deferred tax; such as the study carried out by Eberhartinger, Genest, and Lee (2014) on the precise tax accounting information of firms on stakeholders' decisions concerning their tax standing, performance and how attractive investing in them is. Also, Udeh and Ezejiofor, (2018) accessed the effect of accounting information on the deferred tax of the Nigerian quoted banks. Petr and Hana (2017) studied the effect of the financial reporting system on deferred tax reporting. Kevin (2010) investigated the possibility of using deferred tax ratios in forecasting the US equity price.

None of the studies above investigated the effect of deferred tax on the performance of Nigerian quoted banks. This study, therefore, hopes to evaluate the effect of deferred tax on the earnings per share, profit after tax, cash flow and total assets of the Nigerian quoted banks. The study, therefore, moved a step further on the study by Udeh and Ejojiofor (2018) by including PAT and total assets which are very important performance indicators.

Scope of the Study

The study covers 2009 through 2019. The variables selected are profit after tax, earnings per share, and total assets as performance indicators. While deferred tax is the independent variable. IAS 12 recognizes deferred tax assets and deferred tax liabilities. For this study, deferred tax assets are displayed in the positive while deferred tax liabilities are displayed in the negative. Where a bank has deferred tax assets and liabilities on the balance sheet, the net effect is taken. The researcher however took cognizance of the fact that IAS 12 does not permit the net figure of deferred tax and liabilities to be reported on the statement of financial position, rather they should be stated separately. It did not however state that there is no net effect of both.

Population and Sample Size

The population for this study is the entire quoted money deposit banks in Nigeria. However, the researcher judgmentally selected three banks listed on the Nigerian stock exchange. These banks are First Bank Plc, United Bank for Africa Plc and Access Bank. These banks were selected because they have stood the test of time, they have not changed name since inception and they made the list of the top one thousand World Bank as published by the Bankers' magazine of Nigeria at different times.

Data Presentation

First Bank

Table 4.1: The PAT, EPS, and Cash flow, Total Assets, Deferred Tax Assets and Liability of FBN Plc

YEAR	PAT	EPS	CASHFLOW	TOTAL ASSETS	DEFERRED TAX	DTL	NET DT
2009	3,622	12	17452	2,172,346	0	0	0
2010	29,177	89	-87,991	2,354,831	12,274	901	11,373
2011	18,636	57	58,934	2,861,693	6,954	1,069	5,885
2012	76,801	235	-302,874	3,226,367	8,201	225	7,976
2013	70,631	216	158,133	3,869,001	7,120	37	7,083
2014	84,011	235	275,704	4,342,666	8,992	188	8,804
2015	15,148	43	153,802	4,166,189	14,615	239	14,376
2016	12,243	39	-27,078	4,736,806	17,278	813	16,465
2017	37,708	115	315,296	5,236,537	18,554	606	17,948
2018	59,667	165	209,487	5,568,909	25,558	266	25,292
2019	73,665	195	-147,794	6,203,526	25,009	250	24,759

Source: The Financial Report of First Bank Plc

United Bank for Africa

Table 4.2: The PAT, EPS, Cash flow, Total Assets, Deferred Tax Assets and Liability of UBA Plc

YEAR	PAT	EPS	CASHFLOW	TOTAL ASSETS	DEFERRED TAX
2009	12,889		-189128	1400879	
2010	2,167	7	-153,941	1,432,632	3,131
2011	-16,385	-51	-59,976	1,655,465	24,585
2012	50,909	1.44	220,257	1,933,065	28,152
2013	55,650	1.41	-274,295	2,217,417	28,643
2014	38,886	1.22	112,849	2,338,858	31,853
2015	55,761	1.36	-47,525	2,216,337	31,853
2016	74,437	1.31	-116,420	2,539,585	29,696
2017	58,106	1.2	-19,059	2,931,826	27,178
2018	41,047	1.2	130,776	3,591,305	21,862
2019	62,750	1.83	-98,517	4,136,493	21,862

Source: The Financial Report of UBA Plc

AKAN DAVID C. PHD., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

Access Bank

Table 4.3: The PAT, EPS, Cash flow, Total Assets, Deferred Tax Assets and Liability of Access

YEAR	PAT	EPS	CASHFLOW	TOTAL ASSETS	DEFERRED TAX
2009	-2,088,034	-12		647,574,719	1,338,268
2010	7,727,399	44	97,877,841	726,960,580	-355,197
2011	5,248,866	102	106,782,941	949,382,097	-2,841,403
2012	35,815,611	157	53,361,395	1,515,754,463	7,007,387
2013	26,211,844	115	71,950,348	1,704,094,012	9,847,853
2014	39,941,126	114	-124,473,604	1,981,955,730	10,128,537
2015	65,868,773	174	63,356,144	2,411,944,061	10,180,832
2016	64,026,135	237	67,539,229	3,094,960,514	-3,101,753
2017	53,238,822	184	66,861,290	3,499,683,982	-7,848,515
2018	73,596,295	254	232,393,674	3,968,114,609	-4,505,966
2019	73,569,054	217	652,816,916	6,311,041,282	-4,507,110

Source: The Financial Report of Access Bank Plc

The PAT, Cash flow, Total Assets and deferred tax values will be treated so as to make them comparable with the EPS. The values will therefore be divided by 10,000 for the purpose of this study.

Data Analysis

To avoid a spurious regression result, the data would have to be detrended to ensure we have a stationary data. That is data that revolves around a constant mean of 0. An augmented dickey-fuller unit root test was run on the data and the result is shown on the appendix of this work.

Test of Hypotheses

Test of Hypothesis One

Null Hypothesis: Deferred tax has not significantly and positively affected the earnings per share of quoted banks in Nigeria.

Table 4.4: Result of the Multiple Regressions

BANK	R2	T- STATISTICS	PROB. VALUE
ACCESS	0.000133	-0.032638	0.9748
FIRST BANK	0.038712	0.602027	0.5620
UBA	0.007270	-0.242040	0.8148

Source: E-views version 10

The R2 explains the extent that the independent variable explains the dependent variable. The rule of thumb accepts 60% and above. The result for the three banks shows very low R2 values of 0.000133, 0.038712, and 0.007270. Also, the F-value of 0.9748, 0.5620, and 0.8148 are higher than 5%, this means there is no significant relationship between deferred tax and earnings per share. Therefore the null hypothesis is accepted, which states that deferred tax has not significantly and positively affected the earnings per share of quoted banks in Nigeria. This is not inconsonant with the study carried out by Nwaorgu, Abiahu, Tapang, and

lormbagah (2019). However, it's in line with the study by Olaoye and Bamisaye (2018), Udeh and Ezejiofor, (2018).

Test of Hypothesis Two

Null Hypothesis: Deferred tax has not significantly and positively affected the profit after tax of quoted banks in Nigeria.

Table 4.5: Result of the Multiple Regressions

BANK	R2	T- STATISTICS	PROB. VALUE
ACCESS	0.332695	1.997129	0.0809
FIRST BANK	0.064412	0.787158	0.4514
UBA	0.350868	2.205602	0.0548

Source: E-views version 10

This is a similar result. The R square of 0.33, 0.06, and 0.35 are quite low in explaining the dependent variable. Also, the probability values of 0.08, 0.45, and 0.0548 respectively are all higher than 5%. Therefore we accept the null hypothesis which states that deferred tax has not significantly and positively affected the profit after tax of quoted banks in Nigeria.

Test of Hypothesis Three

H₀₃: Deferred tax has not significantly and positively affected the cashflow of quoted banks in Nigeria

Table 4.6: Result of the Multiple Regressions

BANK	R2	T- STATISTICS	PROB. VALUE
ACCESS	0.000387	0.055632	0.9570
FIRST BANK	0.099922	-0.942402	0.3736
UBA	0.154099	1.280447	0.2324

Source: E-views version 10

Again the R square of 0.0003, 0.0999, and 0.154 are very low. Also, the probability value of 0.9570, 0.3736, and 0.2324 respectively are higher than 5% and are therefore not significant. Therefore, the null hypothesis is accepted which states that deferred tax has not significantly and positively affected the cash flow of quoted banks in Nigeria.

H₀₄: Deferred tax has not significantly and positively affected the total assets of quoted banks in Nigeria

Table 4.7: Result of the Multiple Regressions

BANK	R2	Durbin-Watson stat	PROB. VALUE
ACCESS	0.000289	1.665544	0.9629
FIRST BANK	0.774879	2.017529	0.0003
UBA	0.137182	0.527475	0.2622

Source: E-views version 10

First bank Plc. showed an amazing result different from the usual pattern in this study. With an R square of 77% and an F-value of 0.0003, we can deduce that deferred tax influences the total assets of first bank Plc. However, the two other sampled banks differ from this assertion. With R square of 0.0003 and 0.137 for Access Bank and UBA respectively; and F-

AKAN DAVID C. PHD., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

values of 0.96 and 0.26 which are higher than 5%, we can posit that deferred tax does not significantly influence total assets. Probably including more sampled banks will help put this hypothesis to rest.

Conclusion and Recommendation

The diagnostic test ran in this study is to enable the findings to hold water in the long run. Therefore, we can satisfactorily posit that deferred tax does not influence the performance of quoted banks in Nigeria in the long run. The study thus recommends that: there is no need in generating earnings per share with the aim to retire deferred tax in Nigerian banks. Also, generating cash flow or PAT cannot be used in determining the deferred tax.

Reference

- Bauman, C.C., M.P. Bauman, & Halsey. R.F. (2001). Do firms use the deferred tax asset valuation allowance to manage earnings? . *Journal of the American Taxation Association*, 27-48.
- BOLAJI, O. O. (2020). IFRS 12 - Income Taxes. *IFRS Module 1 & 2*. Lagos.
- Chludek, A. (2011). Perceived versus Actual Cash Flow Implications of Deferred Taxes – An Analysis of Value Relevance and Reversal under IFRS. *Journal of International Accounting Research*, 10(1), 1-25.
- Eberhartinger, E., Genest, N. & Lee, S. . (2014). Practitioners’ Judgment and Deferred Tax Disclosure: A Case for Materiality. *WU International Taxation Research Paper Series*.
- Gatsi, J. Gadzo, S. & Kportorgbi, H. (2013). The Effect of Corporate Income Tax on Financial Performance of Listed Manufacturing Firms in Ghana. *Research Journal of Finance and Accounting*, 4(15), 118-124.
- Georgios, K. Georgios, M. & Maria, R. L. (2019). The Impact of Deferred Taxation on Banking Profitability and Capital Adequacy. Evidence from the Greek Banking System. *International Journal of Applied Economics, Finance and Accounting*, 1-14. doi:10.33094/8.2017.2019.51.1.13
- Halim, S., Veysel, K. & Baykut, E. (2015). A Research on Deferred Taxes: A Case Study of BIST Listed Banks in Turkey. *Eur. J. Bus. Manage*, 7(2), 1-9.
- Ifada, L. M., & Wulandari, N. (2015). The effect of deferred tax and tax planning toward earnings management practice: an empirical study on nonmanufacturing companies listed in Indonesia stock exchange in the period of 2008-2012. *International Journal of of Organizational Innovation*, 8(1), 155-170.
- James, M., Poterba, N., Rao, S. & Jeri, K. (2011). Deferred Tax Positions And Incentives For Corporate Behavior Around Corporate Tax Changes. *National Tax Journal*, 64(1), 27–58.
- Kevin, A. D. (2010). Ratio of deferred tax liabilities to shares as a predictor of stock prices. *Accounting and taxation*, 2(10).
- Lev, B., & Nissim. D. (2004). Taxable income, future earnings, and equity values. *The Accounting Review*, 79(4), 1039–1074.

- Madugba, J. U., Ekwe, M. C. & Kalu, J. M. (2015). Corporate Tax and Revenue Generation: Evidence from Nigeria. *Journal of Emerging Trends in Economics and Management Sciences*, 6(5), 333-339.
- Noor, R. M., Mastuki, N., & Aziz, Z. (2007). Earnings management and deferred tax. *Malaysian Accounting Review*, 6(1), 1-17.
- Nwaorgu, I. A., Abiahu M. C, Tapang, A. T. & Iorombagah, J. A. (2019). Deferred Tax Accounting and Financial Performance: The Listed Agricultural Firms Perspective in Nigeria. *SSRN Electronic Journal*, 1-11. doi:DOI: 10.2139/ssrn.3474769
- Olaoye, C. O. & Bamisaye, T. O. (2018). Deferred tax and financial performance of firms in Nigeria. *Journal of Business Administration and Management Sciences Research*, 7(2), 50-58. Retrieved from www.apexjournal.org
- Osuka, B.O. & Osadume, C. R. (2013). Banks in Nigeria: A study of selected deposit Money Banks (DMBs)(2001 – 2010). *International Journal of Education and Research*, 1(10), 1-18.
- Petr, H. & Hana, B. (2017). Comparison of deferred tax materiality reporting in accordance with continental and Anglo-Saxon reporting system. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 65(6), 1917 – 1924.
- Phillips, J., Pincus, M., & Rego, S. O. (2003). Earnings management: New evidence based on deferred tax expense. *The Accounting Review*, 78(2), 491-521.
- Phillips, J., Pincus, M., Rego, S. O. & Wan, H. . (2004). Decomposing changes in deferred tax assets and liabilities to isolate earnings management activities . *The Journal of the American Taxation Association*, 43-66.
- Rotimi, O, Udu, A. S. U. & Abdul-Azeez, A. A. (2013). Revenue Generation and Engagement of tax consultant in Lagos state Nigeria. *European Journal of Business and Social Sciences*, 23-35.
- Udeh, F. N. & Ezejiolor, R. A. (2018). Accounting Information and Deferred Taxation: Evidence from Deposit Money Banks in Nigeria. *International Journal of Academic Research in Business and Social Sciences*, 8(10), 539-556.
- Ying, W., Scott, B. & Michael, C. . (2016). *Deferred tax items as earnings management indicators*. China: CSMAR, the China Center for Economic Research.

Appendix I

The result of the Augmented Dickey-Fuller test

For Access Bank

	ADF	1%	5%	10%	RMK	DIFFERENCED AT
PAT	-3.154477	-5.295384	-4.008157	-3.460791	Non-Stationary	2(0)
EPS	-2.933872	-5.295384	-4.008157	-3.460791	Non-Stationary	1(0)

**AKAN DAVID C. PHD., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA**

DT	-3.486828	-2.886101	-1.995865	-1.599088	Non-Stationary	2(0)
Cash F	0.567386	-4.297073	-3.212696	-2.747676	Non-Stationary	2(0)
Asset	2.548909	-4.297073	-3.212696	-2.747676	Non-Stationary	0(0)

For First Bank

	ADF	1%	5%	10%	RMK	DIFFERENCED AT
PAT	-2.152261	-4.297073	-3.212696	-2.747676	Non-Stationary	2(1)
EPS	-2.229746	-4.297073	-3.212696	-2.747676	Non-Stationary	2(1)
DT	1.293285	-4.420595	-3.259808	-2.771129	Non-Stationary	1(1)
Cash F	-2.739667	-4.297073	-3.212696	-2.747676	Non-Stationary	2(0)
	0.279139	-4.297073	-3.212696	-2.747676	Non-Stationary	2(0)

Appendix II

Regression Analysis between Deferred Tax and Earnings per Share

Dependent Variable: DACCESS_DEFERRED_TAX

Method: Least Squares

Date: 06/15/20 Time: 19:43

Sample (adjusted): 2010 2019

Included observations: 10 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-235.4133	186.0631	-1.265234	0.2414
DACCESS_PAT	0.233897	0.117117	1.997129	0.0809
R-squared	0.332695	Mean dependent var		-58.45378
Adjusted R-squared	0.249282	S.D. dependent var		597.1340
S.E. of regression	517.3806	Akaike info criterion		15.51229
Sum squared resid	2141461.	Schwarz criterion		15.57281
Log likelihood	-75.56146	Hannan-Quinn criter.		15.44590
F-statistic	3.988526	Durbin-Watson stat		1.248832
Prob(F-statistic)	0.080875			

Dependent Variable: FBN_EPS

Method: Least Squares

Date: 06/15/20 Time: 20:09

Sample: 2009 2019

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	100.5696	51.75194	1.943301	0.0839
FBN_NET_DT	21.05830	34.97897	0.602027	0.5620
R-squared	0.038712	Mean dependent var		127.3636
Adjusted R-squared	-0.068098	S.D. dependent var		84.75172
S.E. of regression	87.58991	Akaike info criterion		11.94617
Sum squared resid	69047.93	Schwarz criterion		12.01852
Log likelihood	-63.70396	Hannan-Quinn criter.		11.90057
F-statistic	0.362437	Durbin-Watson stat		1.201308
Prob(F-statistic)	0.562014			

Dependent Variable: UBA_EPS

Method: Least Squares

Date: 06/15/20 Time: 20:10

Sample (adjusted): 2010 2019

Included observations: 10 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.930501	18.37531	0.050639	0.9609
UBA_DEFERRED_TAX	-1.701465	7.029676	-0.242040	0.8148
R-squared	0.007270	Mean dependent var		-3.303000
Adjusted R-squared	-0.116822	S.D. dependent var		16.85311
S.E. of regression	17.81033	Akaike info criterion		8.774291
Sum squared resid	2537.663	Schwarz criterion		8.834808
Log likelihood	-41.87146	Hannan-Quinn criter.		8.707904
F-statistic	0.058584	Durbin-Watson stat		2.273623
Prob(F-statistic)	0.814838			

Regression Result for Deferred Tax and Profit after Tax

Dependent Variable: DACCESS_DEFERRED_TAX

Method: Least Squares

Date: 06/15/20 Time: 20:43

Sample (adjusted): 2010 2019

Included observations: 10 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-235.4133	186.0631	-1.265234	0.2414
DACCESS_PAT	0.233897	0.117117	1.997129	0.0809
R-squared	0.332695	Mean dependent var		-58.45378
Adjusted R-squared	0.249282	S.D. dependent var		597.1340
S.E. of regression	517.3806	Akaike info criterion		15.51229

AKAN DAVID C. PHD., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

Sum squared resid	2141461.	Schwarz criterion	15.57281
Log likelihood	-75.56146	Hannan-Quinn criter.	15.44590
F-statistic	3.988526	Durbin-Watson stat	1.248832
Prob(F-statistic)	0.080875		

Dependent Variable: FBN_NET_DT

Method: Least Squares

Date: 06/15/20 Time: 20:48

Sample: 2009 2019

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.977362	0.446898	2.186993	0.0565
FBN_PAT	0.067423	0.085653	0.787158	0.4514

R-squared	0.064412	Mean dependent var	1.272373
Adjusted R-squared	-0.039542	S.D. dependent var	0.791857
S.E. of regression	0.807362	Akaike info criterion	2.572876
Sum squared resid	5.866495	Schwarz criterion	2.645220
Log likelihood	-12.15082	Hannan-Quinn criter.	2.527272
F-statistic	0.619618	Durbin-Watson stat	0.454063
Prob(F-statistic)	0.451419		

Dependent Variable: UBA_PAT

Method: Least Squares

Date: 06/15/20 Time: 20:50

Sample: 2009 2019

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.515010	1.723799	0.298764	0.7719
UBA_DEFERRED_TAX	1.525495	0.691646	2.205602	0.0548

R-squared	0.350868	Mean dependent var	3.965609
Adjusted R-squared	0.278743	S.D. dependent var	2.826709
S.E. of regression	2.400635	Akaike info criterion	4.752309
Sum squared resid	51.86743	Schwarz criterion	4.824654
Log likelihood	-24.13770	Hannan-Quinn criter.	4.706706
F-statistic	4.864679	Durbin-Watson stat	1.668696
Prob(F-statistic)	0.054837		

Regression Result for Deferred Tax and Profit after Tax

Dependent Variable: DACCESS_DEFERRED_TAX

Method: Least Squares

Date: 06/16/20 Time: 05:07

Sample (adjusted): 2010 2019

Included observations: 10 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-63.06916	216.7519	-0.290974	0.7785
DACCESS_CASHFLOW	0.000707	0.012708	0.055632	0.9570
R-squared	0.000387	Mean dependent var		-58.45378
Adjusted R-squared	-0.124565	S.D. dependent var		597.1340
S.E. of regression	633.2337	Akaike info criterion		15.91641
Sum squared resid	3207880.	Schwarz criterion		15.97693
Log likelihood	-77.58206	Hannan-Quinn criter.		15.85003
F-statistic	0.003095	Durbin-Watson stat		1.661264
Prob(F-statistic)	0.957000			

Dependent Variable: DFBN_NET_DT

Method: Least Squares

Date: 06/16/20 Time: 05:10

Sample (adjusted): 2010 2019

Included observations: 10 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.238744	0.149596	1.595931	0.1492
DFBN_CASHFLOW	-0.005353	0.005680	-0.942402	0.3736
R-squared	0.099922	Mean dependent var		0.247590
Adjusted R-squared	-0.012587	S.D. dependent var		0.469187
S.E. of regression	0.472131	Akaike info criterion		1.513735
Sum squared resid	1.783260	Schwarz criterion		1.574252
Log likelihood	-5.568675	Hannan-Quinn criter.		1.447348
F-statistic	0.888122	Durbin-Watson stat		2.185094
Prob(F-statistic)	0.373571			

Dependent Variable: UBA_DEFERRED_TAX

Method: Least Squares

Date: 06/16/20 Time: 05:12

Sample: 2009 2019

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.392592	0.336668	7.106673	0.0001
UBA_CASHFLOW	0.029032	0.022673	1.280447	0.2324

AKAN DAVID C. PH.D., ALOAMAKA JUDITH .I AND DOKAI-OKONKWO N. CHRISTABEL
THE EFFECT OF DEFERRED TAX ON THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

R-squared	0.154099	Mean dependent var	2.261955
Adjusted R-squared	0.060110	S.D. dependent var	1.097596
S.E. of regression	1.064097	Akaike info criterion	3.125095
Sum squared resid	10.19071	Schwarz criterion	3.197440
Log likelihood	-15.18802	Hannan-Quinn criter.	3.079492
F-statistic	1.639543	Durbin-Watson stat	0.833068
Prob(F-statistic)	0.232402		

Regression Result for Deferred Tax and Total Assets

Dependent Variable: DACCESS_DEFERRED_TAX

Method: Least Squares

Date: 06/16/20 Time: 05:24

Sample (adjusted): 2010 2019

Included observations: 10 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-49.61918	271.8481	-0.182525	0.8597
DACCESS_TOTAL_ASSETS	-0.000156	0.003246	-0.048055	0.9629

R-squared	0.000289	Mean dependent var	-58.45378
Adjusted R-squared	-0.124675	S.D. dependent var	597.1340
S.E. of regression	633.2648	Akaike info criterion	15.91651
Sum squared resid	3208195.	Schwarz criterion	15.97703
Log likelihood	-77.58255	Hannan-Quinn criter.	15.85012
F-statistic	0.002309	Durbin-Watson stat	1.665544
Prob(F-statistic)	0.962851		

Dependent Variable: FBN_NET_DT

Method: Least Squares

Date: 06/16/20 Time: 05:26

Sample: 2009 2019

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.874223	0.403736	-2.165334	0.0586
FBN_TOTAL_ASSETS	0.005278	0.000948	5.565834	0.0003

R-squared	0.774879	Mean dependent var	1.272373
Adjusted R-squared	0.749866	S.D. dependent var	0.791857
S.E. of regression	0.396035	Akaike info criterion	1.148338
Sum squared resid	1.411595	Schwarz criterion	1.220683
Log likelihood	-4.315859	Hannan-Quinn criter.	1.102735
F-statistic	30.97851	Durbin-Watson stat	2.017529
Prob(F-statistic)	0.000349		

Dependent Variable: UBA_DEFERRED_TAX

Method: Least Squares

Date: 06/16/20 Time: 05:29

Sample: 2009 2019

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.136673	0.994944	1.142450	0.2827
UBA_TOTAL_ASSETS	0.004690	0.003920	1.196217	0.2622
R-squared	0.137182	Mean dependent var		2.261955
Adjusted R-squared	0.041313	S.D. dependent var		1.097596
S.E. of regression	1.074684	Akaike info criterion		3.144897
Sum squared resid	10.39452	Schwarz criterion		3.217241
Log likelihood	-15.29693	Hannan-Quinn criter.		3.099294
F-statistic	1.430934	Durbin-Watson stat		0.527475
Prob(F-statistic)	0.262174			