

BOARD DIVERSITY AND TAX AGGRESSIVENESS OF DEPOSIT MONEY BANKS IN SIERRA LEONE EVIDENCE FROM PANEL DATA ANALYSIS

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ABSTRACT

The board of directors is a fundamental pillar of an effective corporate governance framework, and board diversity has emerged as a key issue in contemporary corporate governance literature. Board diversity is intended to promote a wide range of demographic attributes and cognitive perspectives within the boardroom. This study examined the effect of board diversity on tax aggressiveness among quoted deposit money banks in selected West African countries. Specifically, the study assessed the influence of board age diversity, gender diversity, educational background diversity, and foreign directorship on tax aggressiveness. An ex post facto research design was adopted, and secondary data were obtained from the published annual financial reports of all quoted deposit money banks operating in the selected West African countries, covering a seven-year period from 2017 to 2022. Using a census approach, the entire population of quoted deposit money banks in the selected countries was studied. Tax aggressiveness was measured using effective tax rate-based proxies, while board diversity variables were computed from board composition disclosures. The data were analyzed using descriptive statistics, correlation analysis, and panel regression techniques. The findings revealed that gender diversity has a statistically significant effect on tax aggressiveness, indicating that the presence of female directors influences banks' tax-related decisions. Educational background diversity, however, exhibited a weak and insignificant relationship with tax aggressiveness. The study concludes that board gender diversity plays a critical role in shaping tax aggressiveness behavior among deposit money banks in West Africa and recommends that regulators and policymakers encourage greater female representation on corporate boards to enhance responsible tax practices.

Key words: Board diversity, Corporate Governance, Deposit Money Banks', Tax Aggressiveness

Introduction

The board of directors constitutes one of the central pillars of a robust corporate governance framework, and board diversity has become a prominent issue in contemporary corporate governance discourse. Over the years, regulators and standard-setting bodies have increasingly emphasized the importance of balancing board members' skills, experience, and demographic attributes in order to enhance oversight effectiveness and strategic decision-making. Board diversity seeks to promote a wide range of characteristics in the boardroom, including gender, age, educational background, professional qualifications, and nationality. Beyond these observable attributes, scholars also recognize the relevance of less tangible factors such as life experience, values, and cognitive perspectives. Despite divergent views on the effectiveness of board diversity, there is broad consensus in the literature that well-functioning boards are composed of individuals with heterogeneous skills, knowledge, information, and power (Conger & Lawler, 2001; Hoang, Abeysekera, & Ma, 2016). Such diversity enables boards to better understand firms' operating environments, enhance problem-solving capacity, and improve the quality of strategic decisions (Carter, Simkins, & Simpson, 2003), thereby influencing firm performance and value.

Taxation represents a critical mechanism for building state capacity and financing sustainable economic development, particularly in developing economies (Olaoye, Ayeni-Agbaje, & Alaran-Ajewole, 2017). Firms are required to remit a portion of their profits to the state; however, from a corporate perspective, taxes are often viewed as a cost that reduces cash flows available to shareholders (Aburajab et al., 2019; Khurana & Moser, 2012). Consequently, firms may engage in aggressive tax planning strategies to minimize tax liabilities. While such practices can improve short-term financial performance, they also impose significant costs, including consultancy fees, tax penalties, increased scrutiny from tax authorities, and reputational damage, which may outweigh the potential tax savings (Scholes et al., 2015).

Prior empirical studies examining the relationship between board diversity and tax aggressiveness have largely focused on developed economies, with mixed and inconclusive findings. Moreover, relatively little empirical evidence exists for developing and post-conflict economies, where institutional quality, regulatory enforcement, and governance structures differ substantially from those of advanced markets. In the West African context, particularly within the banking sector, studies linking board diversity to tax aggressiveness remain scarce, fragmented, and often country-specific. This represents a significant gap in the literature, as banks play a systemic role in economic stability and operate under heightened regulatory and public scrutiny. The unique institutional environments of West African countries—characterized by evolving governance frameworks, weak enforcement mechanisms, and post-conflict recovery in some jurisdictions—necessitate context-specific empirical investigation.

Against this backdrop, this study examines the effect of board diversity on tax aggressiveness among listed deposit money banks in selected West African countries. By adopting a multi-country perspective, the study extends prior research and provides comparative evidence from an under-explored regional setting.

Objectives of the Study

The main objective of this study is to examine the effect of board diversity on tax aggressiveness of listed deposit money banks in selected West African countries. Specifically, the study seeks to:

1. examine whether board age diversity has a significant impact on tax aggressiveness of listed deposit money banks in selected West African countries;
2. evaluate whether board gender diversity has a significant impact on tax aggressiveness of listed deposit money banks in selected West African countries;
3. assess whether diversity in board members' educational background significantly influences tax aggressiveness of listed deposit money banks in selected West African countries; and
4. examine whether foreign director membership on the corporate board has a significant impact on tax aggressiveness of listed deposit money banks in selected West African countries.

Research Questions

To achieve these objectives, the study addresses the following research questions:

1. Does board age diversity significantly influence tax aggressiveness of listed deposit money banks in selected West African countries?
2. Does board gender diversity significantly affect tax aggressiveness of listed deposit money banks in selected West African countries?
3. What is the effect of board educational background diversity on tax aggressiveness of listed deposit money banks in selected West African countries?
4. Does foreign director membership on the board significantly influence tax aggressiveness of listed deposit money banks in selected West African countries?

Research Hypotheses

In line with the study objectives and research questions, the following null hypotheses are formulated:

H₀₁: Board age diversity has no significant effect on tax aggressiveness of listed deposit money banks in selected West African countries.

H₀₂: Board gender diversity has no significant effect on tax aggressiveness of listed deposit money banks in selected West African countries.

H₀₃: Board educational background diversity has no significant effect on tax aggressiveness of listed deposit money banks in selected West African countries.

H₀₄: Foreign director membership on the corporate board has no significant effect on tax aggressiveness of listed deposit money banks in selected West African countries.

Literature Review

Theoretical Review

1. Stakeholders Theory

It is well acknowledged that the performance of multinational organizations in all economic domains is significantly influenced by their shareholders. Edward Freeman (1984) first proposed the thesis in his book "Strategic Management: A Stakeholder Approach." One of the few aspects of a corporation that directly affects a company's performance and accountability is its stakeholders. Thus, one important aspect of gender diversity has been making sure stakeholders are satisfied.

Stakeholder theory, according to Ganescu and Gangone (2017), reveals and directs managers' actions instead of focusing on the organization's financial values. The foundation of stakeholder theory is the company's ability to generate value and worth via enduring

partnerships. When people band together voluntarily to improve the performance of others, economic value is created (Ali, Sandhu, *et al* 2016). It is an indisputable truth that no company, even a private one, can function as expected without the voluntarily engaged shareholders. Companies must make their quota payments to the appropriate parties who enable them to conduct business. This shows a company's commitment to corporate social responsibility. From one vantage point, all the significant participants in corporate operations. In particular, managers must foster and cultivate relationships, recognize and motivate stakeholders, and establish an organization of mutually beneficial relationships that will eventually result in a mutually beneficial situation (Ghosh, 2017).

Stakeholder theory essentially suggests that managers should take into account the legitimate interests of people, groups, society, and communities that are affected by a company's operations, regardless of the goal or objective of the organization (Liang & Rennboog, 2016). According to Lee (2017), generating value for stakeholders is crucial, but so is making goods that people will purchase, hiring people who are willing to work for you, developing and strengthening relationships that support the organization, and acting as a good corporate citizen.

According to this view, corporations have an obligation to respond not only to their shareholders but also to any individual or group that may have an impact on or be impacted by the decisions made by the organization. According to Alumona and Kaur (2017), a stakeholder is any group or individual that has the ability to influence or is impacted by the accomplishment of an organization's goals. Stakeholder theory proponents said that managers and directors would manage the demands of a larger stakeholder group in order to ensure that they benefit from increased financial access because they want to handle environmental and social issues in a proactive manner. This suggests that more than financially successful actions were undertaken when a greater group of stakeholders is satisfied. Stakeholder theory allows managers to fully exploit their companies by including the interests of all parties involved in the decision-making process within the organization.

Direct or indirect stakeholders have the ability to influence a company, or the company may have the ability to effect them (Freeman, Wicks, & Parmar, 2004). Stakeholders can include the local community, government, suppliers, and support groups, among others. A subset of the stakeholders is known as "key stakeholders" because they are particularly important. Examples of these stakeholders include shareholders, investors, regulators, major customers, suppliers, creditors, and the like. One theory that explains how managers should integrate their organizations is the stakeholder theory. This approach makes the company aware of the necessity to meet the needs of each individual or community that is connected to the organization in some way. According to the hypothesis (Freeman, 1984), which is referenced in Richard *et al.* (2016), According to the principle, businesses should be aware of their obligations to everyone impacted by their operations.

According to the theory, in an effort to maximize their respective utility, the agent (manager) may act opportunistically, taking aggressive tax policies, for example, at the expense of the principal (shareholders). According to Jensen and Meckling (1979), this circumstance is an agency connection in which moral risk could arise from the principal's inability to personally oversee the agent's behavior, raising the cost of the agency. The agency cost was defined as the sum of the costs incurred by shareholders for the purpose of overseeing the actions of management. As long as boards of directors make sure managers behave in the best interests of shareholders, board diversity is a crucial part of the monitoring costs. If the board of directors

evaluates agency issues as well as managerial actions, they will invest more time and assessment risk to be high (Simunic, 1980).

However, the stakeholder theory goes beyond principal-agent conflicts of interest in applying the agency theory. Shareholder theory focuses on finding solutions to conflicts among several stakeholders, such as suppliers, customers, and tax authorities of the firms, whereas agency theory attempts to resolve agency conflicts between managers and shareholders. Effective corporate governance structure is emphasized by the majority of corporate governance legislative requirements in order to safeguard shareholder rights and to ensure that stakeholders understand the significance of transparency and disclosure (Dahya, Dimitrov, & McConnell, 2008). Among other things, a strong corporate governance structure encourages tax aggressiveness and diversity on the board. Higher levels of effective corporate governance can help prevent tax aggressive measures by management, according to both the agency and stakeholder theories, which contend that these governance monitors are essential for improved financial reporting (Minnick & Noga, 2010).

Additionally, an organization cannot contribute to the value chain without the support and efforts of its stakeholders (Frieman & Liedtka, 1991). As a result, the organization's objective will not be realized because the interests and identities of its stakeholders determine the determinants of their action, or how well the organization performs. Companies are implementing stakeholder management by providing greater avenues for women to participate in corporate decision-making.

A curving illustrating the relationship between tax avoidance, corporate governance, and board heterogeneity, drawing on the body of current research and the theoretical analysis mentioned above. In addition to being appropriate for this study research, the stakeholder theory directly connects to the tax avoidance techniques and board heterogeneity found in West African deposit money institutions; hence the theory upon which this study is hinged.

Conceptual Review

This section clarifies the key concepts underpinning the study board diversity, tax aggressiveness, and deposit money banks while situating them within the institutional and regulatory context of Sierra Leone. Although much of the existing empirical literature on these concepts originates from developed economies, their applicability to Sierra Leone is justified by the increasing convergence of corporate governance codes, banking regulations, and international financial reporting standards across jurisdictions. In particular, Sierra Leone's banking sector operates within governance and disclosure frameworks influenced by international best practices, making insights from foreign studies relevant, though requiring contextual adaptation.

1 Board Diversity

Board diversity refers to the composition of a corporate board in terms of members' demographic, cognitive, and professional attributes. Common dimensions of board diversity include age, gender, educational background, professional expertise, and nationality. In the context of corporate governance, board diversity is expected to enhance board effectiveness by bringing varied perspectives, experiences, and skills to strategic decision-making and monitoring functions. While most empirical evidence on board diversity is drawn from developed markets, the concept is equally relevant to developing and post-conflict economies such as Sierra Leone, where governance systems are still evolving and boards play a critical role in strengthening transparency and accountability. In Sierra Leone's banking sector, regulatory oversight by the

central bank and compliance with corporate governance guidelines necessitate boards that can effectively navigate complex regulatory, ethical, and financial challenges. Hence, board diversity is conceptually linked to improved oversight of managerial decisions, including those related to tax planning and compliance.

2 Tax Aggressiveness

Tax aggressiveness describes the extent to which firms engage in tax planning strategies aimed at reducing taxable income and tax liabilities through legal, borderline, or sometimes questionable means. These practices range from legitimate tax minimization to aggressive avoidance strategies that exploit gaps in tax laws. In developing economies such as Sierra Leone, tax aggressiveness has broader implications due to heavy government reliance on corporate tax revenue to finance public services and post-conflict reconstruction. Although many measures of tax aggressiveness have been developed and applied in advanced economies, such as effective tax rate-based indicators, their use in Sierra Leone is justified by similarities in financial reporting practices and corporate income tax frameworks within the banking sector. Moreover, weak enforcement mechanisms and limited administrative capacity in post-conflict settings may amplify the consequences of aggressive tax behavior, making the role of corporate governance mechanisms, particularly board oversight, even more critical.

3 Deposit Money Banks

Deposit money banks are financial institutions licensed to accept deposits from the public and extend credit to individuals, businesses, and government entities. In Sierra Leone, deposit money banks occupy a central position in the financial system, acting as intermediaries for savings mobilization and economic development. Due to their systemic importance, deposit money banks are subject to stringent regulatory requirements, including corporate governance standards, prudential guidelines, and tax compliance obligations. The applicability of foreign studies to Sierra Leone's banking sector is supported by the fact that many deposit money banks operating in the country are either subsidiaries of foreign banks or operate under regulatory frameworks influenced by international standards. Consequently, governance practices observed in other jurisdictions provide a useful conceptual foundation for understanding how board diversity may influence tax aggressiveness in Sierra Leone, while recognizing the need for empirical testing within the local context.

Empirical Review

A lot of studies have been carried out in this context, this work does not necessarily endorse or affirm the conclusion drawn by these empirical studies; rather, it aims to provide a general overview of a selection of the available empirical studies on the subject matter of the study.

Akims, and Alex, (2023). Examined board gender diversity and corporate performance in the banking sector of Kenya. Secondary data was used which was analyzed based on linear regression method. The inferential analysis indicates that board gender diversity and performance of banks theory. Based on multiple regression analysis, it was reported that board composition had positive effect on financial performance of commercial banks. The study concluded that board gender diversity contributes to corporate performance in the banking sector. The implication of this is that board gender diversity should be embraced by banking institutions so as to promote diversity as well as inclusivity which will in turn enhance corporate

performance. Orajaka, (2022). The impact of board diversity on earnings management of aforementioned non-financial companies in Nigeria. The population used is forty eight (48) while the final sample size of this study is twenty five (25). The statistical tools used for the study are descriptive statistics, hausman effect and panel data multiple regressions (fixed and random effect regression) was used to analyze the causal relationship between foreign board membership diversity and earnings management. The result shows a negative and significant relationship exists between foreign board membership diversity and earnings management among all the non-financial firms in Nigeria. Arora, (2022) Carried a research on diversity in boardrooms and firm performance: The Role of tenure and educational level of board members: The ex post facto design, ordinary least squares (OLS) based panel regression technique was used to analyse the relationship between the variables of the study. The study is conducted using sample data of 187 listed firms within the European area, covering a 9-year period, from 2010 to 2018. The outcomes highlight a significant and positive relationship between tenure diversity on corporate boards and firm performance. In terms of the impact of educational diversity, no evidence indicating a positive effect on firm performance is found. Another study was examined by Orajaka, (2022), impact of board diversity on earnings management of aforementioned Non-Financial Companies in Nigeria. The population used is forty eight (48) while the final sample size of this study is twenty five (25). The statistical tools used for the study are descriptive statistics, hausman effect and panel data multiple regressions (fixed and random effect regression) was used to analyze the causal relationship between foreign board membership diversity and earnings management. The result shows a negative and significant relationship exists between foreign board membership diversity and earnings management among all the non-financial firms in Nigeria.

Furthermore, a study was carried by Duong and Pallasch (2021) on female CEOs are more or less to be associated with tax aggressiveness compared to their male counterparts. The study used a hand-collected dataset of FTSE350 UK public companies between 2007 and 2015. It was suggests that female CEOs are highly unlikely to be associated with tax aggressiveness and tax avoidance. These results are likely of interest to policy makers who are concerned about the implications of increasing the presence of female executives in the boardroom of public companies. In the work of Suleiman and Abubakar (2021), examined the effect of board heterogeneity in the boardroom on corporate tax aggressiveness of listed manufacturing firms in Nigeria? Which the study covered a period of 2014 to 2019. Total book tax difference was used as the primary measure of corporate tax aggressiveness. The study found a significant effect of percentage of females in audit committee on corporate tax aggressiveness. The study hereby concluded that females' presence in the audit committees is very imperative in limiting the extent of corporate tax aggressiveness of listed manufacturing firms in Nigeria. Magnanelli., Paolucci, and Pirolo, (2021). Examined diversity in boardrooms and firm performance. The study was conducted using sample data of 187 listed firms within the European area, covering a 9-year period, from 2010 to 2018. Diversity dimensions are measured through indexes constructed on the basis of the mix among the directors in terms of educational level and tenure. The outcomes highlight a significant and positive relationship between tenure diversity on corporate boards and firm performance. In terms of the impact of educational diversity, no evidence indicating a positive effect on firm performance is found.

Similarly, while the study under review used corporate tax aggressiveness was measured using Generally Accepted Accounting Principle Effective Tax Rate (GAAP-ETR) and the ordinary least squares (OLS) based panel regression technique was used to analyse the

relationship between the variables of the study. The study conducted by Eragbhe and Igbino (2021), investigates the nature of relationship between corporate governance and corporate tax aggressiveness in the banking and insurance firms in Nigeria. The ex post facto design was adopted and secondary data were sourced from the annual reports of thirteen (13) deposit money banks and thirteen (13) insurance companies between 2013 and 2018. Revealed a positive and significant influence on corporate tax aggressiveness in both sub-sectors. The influence of board gender diversity on tax aggressiveness is statistically insignificant in both subsectors. Manyaga and Ammar (2021). The study examines the linking firm performance with board diversity: A literature review: methodology used was The ex post facto design, ordinary least squares (OLS) based panel regression technique was used to analyse the relationship between the variables of the study conclusion, this paper outlines different aspects of board diversity while providing a critical look that allows us to assess the importance of board diversity and its connection to firm performance.

Also, Herawati., Rahmawati., Indudewi., Wardani and Susanto, (2021) Adopted multiple regressions to analyze the secondary data which was extracted from annual financial report of manufacturing companies and trade, service, and investment companies listed on the Indonesia Stock Exchange (ISE) over the 2013-2015 periods. To investigate the impact of female's presence on the board of directors on corporate tax aggressiveness. The result of the analysis revealed that, a negative and statistically significant association between the presence of female on the board of directors and tax aggressiveness. While study under review covered supports previous empirical evidence conducted in Western countries. This finding suggests that the presence of female directors on the board of directors is effective in their tax reporting compliance.

Also, Herawati., Rahmawati., Indudewi., Wardani and Susanto (2021), investigated corporate governance mechanisms and tax aggressiveness of listed firms in Nigeria. Eighty-five (85) quoted non-financial firms were selected and data were collected over the period 2012 to 2016. The study adopted inferential statistics consisting of General Method of Moment was used for the data analysis. This was after carrying out unit root test and other diagnostic tests respectively. The study revealed that corporate governance mechanisms exercise significant impact on tax aggressiveness in Nigeria. Specifically, ownership concentration and managerial ownership were positive and significantly impacts tax aggressiveness of listed non-financial firms in Nigeria whereas board size negatively and significantly impact tax aggressiveness over the reference period. Board gender diversity and board independence were significant and exert negative influence on tax aggressiveness of firms in Nigeria. Lukman (2020) investigated the effect of institutional ownership, gender board diversification on tax aggressiveness of quoted conglomerate companies in Nigeria. The population of the study consisted of the six (6) conglomerate companies listed on the Nigerian Stock Exchange as at 31st December 2019. The study employed the use of explanatory research design and secondary data contained in the annual reports and accounts of listed conglomerate companies for a period of ten (10) years (2010 to 2019) was used for the study. The result of the pooled Ordinary Least Square (OLS) multiple regression analysis revealed a negative significant effect of institutional ownership and gender board diversification on tax aggressiveness of listed conglomerate companies in Nigeria. Based on the findings, the study recommended that the regulatory bodies such as Security and Exchange of Nigeria should set standards for the inclusion of reasonable number of women on the board monitoring committees, because gender diversity in the board decreases tax aggressiveness.

Chartzi (2020) examined the influence of board of directors' diversity on corporate tax aggressiveness. Ordinary Least Square method was adopted to test the data gathered from annual published financial statement sample of 112 Greek companies covering the 2014 – 2018 periods (560 firm years observation). It was revealed a significant and negative association between the proportions of women that served in the firm's boards each year and the tax aggressive measures. More so, in the work of Cortellese (2020) investigated the gender composition of the boards of directors. Fixed effect model was adopted to analyze the data extracted from annual financial report in different countries for the period 2015 – 2019. The study revealed that fixed – effect model of panel data does not show any significant relation between female representation of the board of directors and tax aggressiveness.

Furthermore, Boussaidi and Hamed (2020) carried out a studied on corporate board of directors and the firms' ownership nature of tax aggressiveness strategies of Tunisian listed firms. Unbalanced panel data was adopted to analyze the data extracted from annual financial report. The study considers only non – financial firms listed in the Tunisian stock exchange covered a period of 2011 – 2017. The result show that women presence on the corporate board, CEO duality, the managerial and institutional ownership regularize significantly the level and the management's behavior of engagement in tax aggressiveness practices and reduce the firm's overall risks of its consequences in terms of tax positions stability. Onatuyeh and Ukolobi (2020), investigated Tax Aggressiveness, Corporate Governance and Audit Fees: A Study of Listed Firms in Nigeria. The data obtained were panel regression technique, with preference for the random effect model based on the outcome of the Hausman test, was employed to estimate the balanced panel data. The study revealed that cash tax rate, audit committee diligence and board independence all exert positive and significant effect on audit fees. Unexpectedly, the study revealed a positive but statistically insignificant link between board gender diversity and audit fees. This result may not be unconnected with the low presence of female directors on the board of the firms investigated. The study hereby recommend that more female gender should be allowed to sit on the boards of listed firms in Nigeria in line with the Norwegian model of 40% female gender representation and the Federal Government 35% Affirmative Action.

Research Methodology

This study adopts an ex post facto research design, which is appropriate given that the variables of interest board diversity attributes and tax aggressiveness are historical in nature and cannot be manipulated by the researcher. The design allows for objective examination of causal relationships using already existing financial and governance data disclosed by firms. This approach is widely used in corporate governance and taxation studies and ensures methodological consistency with prior empirical literature, including Boussaïd grading & Hamed (2015).

The sample consists of all listed deposit money banks operating in Sierra Leone during the study period. A census sampling technique was employed rather than a probabilistic sampling method due to the relatively small number of listed banks in the country. The use of a census approach enhances the external validity of the findings by eliminating sampling bias and ensuring that the results are representative of the entire banking sector. Given the systemic importance of banks and their homogeneous regulatory environment, analyzing the full population provides more reliable and policy-relevant insights than a partial sample.

The study period covers seven financial years (2017–2022). This period was deliberately selected for several reasons. First, it reflects a phase of relative macroeconomic and political

stability in Sierra Leone following post-conflict recovery, allowing governance mechanisms to operate more consistently. Second, the period coincides with improved compliance with corporate governance disclosures and financial reporting standards, thereby enhancing data availability and reliability. Third, the seven-year window is sufficiently long to capture both short- and medium-term variations in board composition and tax behavior, while minimizing structural breaks that could distort the analysis. The balanced panel structure generated over this period improves the robustness of econometric estimation and supports more efficient inference.

The empirical model employed in this study is adapted from Boussaïd and Hamed (2015), who examined the impact of corporate governance mechanisms on tax aggressiveness. The original model is specified as follows:

$$ETR_{it} = \alpha_0 + \alpha_1 BSI_{it} + \alpha_2 DIV_{it} + \alpha_3 AUD_{it} + \alpha_4 MOWN_{it} + \alpha_5 OCON_{it} + \alpha_6 SIZE_{it} + \alpha_7 DEB_{it} + \alpha_8 ROA_{it} + \alpha_9 MKTBK_{it} + \alpha_{10} SECP_{it} + \varepsilon_{it} \dots\dots\dots 3.1$$

The modified model to be used in order to achieve the objectives of this study is as slated below;

$$ETR_{it} = \alpha_0 + \beta_1 AGD_{it} + \beta_2 EBD_{it} + \beta_3 GED_{it} + \beta_4 PBT_{it} + \beta_5 TEX_{it} + \beta_6 TBC_{it} + \varepsilon_{it} \dots\dots\dots 3.2$$

Secondary data were obtained from the published annual reports and audited financial statements of listed deposit money banks in Sierra Leone. While the use of secondary data ensures objectivity and replicability, the study acknowledges certain limitations. First, variations in the level of detail disclosed in annual reports may affect the precision of board diversity measurements. Second, the reliance on accounting-based measures of tax aggressiveness, such as the effective tax rate, may not fully capture complex tax avoidance strategies involving off-balance-sheet transactions.

To mitigate these limitations, the study adopts several strategies. Only banks with consistent and complete financial and governance disclosures over the study period were included, ensuring data reliability and panel balance. Additionally, multiple board diversity indicators were employed to reduce measurement bias, and robust econometric techniques were used to control for unobserved heterogeneity across firms and over time. The use of a multi-year panel further smooth's short-term fluctuations and enhances the stability of the estimated relationships.

Results and Discussion

Table 1 Descriptive Statistics

VARIABLES	(1) N	(2) Mean	(3) Std. Dev.	(4) Min	(5) Max
ETR	440	1240.11	13049.96	-.335	232265.6
AGD	440	1.797	1.382	0	17
EBD	440	7.034	3.256	0	17
GED	440	2.351	1.735	0	14
PBT	440	5.624	1.278	0	9.329
TEX	440	1.020	5.350	-.412	5.358
TBC	440	.925	.165	.602	1.322

Source: Author's Computation (2025).

The descriptive statistics of the variables used in the study are presented in Table 1. The results indicate the total number of observations; the mean, standard deviation, minimum and maximum

values of all the variables for a panel of West African banks over the period 2017 to 2023. The results showed that, on the average, ETR, AGD, EBD, GED, PBT, TEX and TBC are 1240.11, 1.797, 7.034, 2.351, 5.624, 1.020 and .925 respectively. The standard deviations are 13049.96, 1.382, 3.256, 1.735, 1.278, 5.350 and .165 for the variables respectively. The minimum value of ETR is -.335 and the maximum are 232265.6. Also, AGD has a minimum of 0 and maximum of 17. EBD varies from 0 to 17 while GED varies from 0 to 14 among the banks over the period considered. Also, PBT has a minimum of 0 and maximum of 9.329 while in the same vein, the minimum and maximum values of TEX are -412 and 5.358. Finally, TBC has a minimum of .602 and maximum of 1.322 this shows a significant variation in all the variables over the period. This enormous variation is worth investigation.

Table 2 Correlations Matrix of Panel analysis variables

Variables	AGD	EBD	GED	PBT	TEX	TBC	VIF
AGD	1.00						1.18
EBD	-0.1963	1.00					3.15
GED	-0.0287	0.4130	1.00				1.27
PBT	-0.3218	0.2119	-0.0034	1.00			1.23
TEX	0.0903	-0.0852	0.0086	0.1762	1.00		1.15
TBC	-0.2175	0.0147	0.4311	0.1277	-0.0947	1.00	1.08

Source: Author's Computation(2025).

In a multiple regression model, multicollinearity (the interdependence of independent variables) causes biased estimations of the coefficient, which makes the regression result unreliable. In this investigation, a correlation test was done to see if multicollinearity existed. All of the correlation coefficients between the independent variables, according to the correlation analysis's findings, are less than 0.5. Similarly, the result of variance inflation factor shows the variables to be less than 5. Hence, there is no multicollinearity between the variables.

Table 3 Regression for all the Countries

ETR				
	OLS	FE	RE	GMM
ETRL1	-	-	-	.279812**
	-	-	-	(.1101634)
AGD	39.16086	1039.037*	382.037	342.5456
	(455.7826)	(551.9326)	(474.8036)	(599.4339)
EBD	-868.3821***	303.3706	552.9776***	790.2521***
	(310.0426)	(372.4596)	(119.7916)	(.00234)
GED	3436.189***	-812.2476	2584.21***	3099.234
	(378.494)	(585.5708)	(425.948)	(1336.423)
PBT	3399.354***	28.50841	2935.064***	2542.355**
	(489.7865)	(893.9691)	(560.1521)	(1165.54)

TEX	-5.3706*** (.0000105)	-3.9207*** (.0000123)	-3.0606*** (.0000111)	-3.6607*** (1.6406)
TBC	-4096.043 (6016.259)	-12146.55** (6156.809)	-6331.442 (5942.641)	-7480.091 (8945.725)
_cons	22181*** (5231.567)	30300.39 (1092.077)	. (5386.372)	19397.75*** (1166.54)
Diagnostic tests				
Wald chi2 statistic	4513.38(0.000)			
Sargan test statistic	274.15(0.6760)			
Autocorrelation test	0.85(0.395)			
(Arellano-Bond test) AR(2)				
Hansen Test	3.12(0.999)			
Hausman Test	95.73(0.4289)			
Breusch-Pagan/Cook-Weisberg Test	4040.61(0.0000)			

Standard errors in parentheses***, ** and * denotes 1%, 5% and 10% level of significance respectively.

Panel data regression was used to evaluate the impact of board diversity on tax aggressiveness of quoted deposit money banks of selected West African Countries. The result is displayed in the Regression table. The Breusch Pagan(BP) test has a drawback because it assumes heteroskedasticity is a linear function of the independent variables. The table above shows the findings of BP test, which are consistent in rejecting the null hypothesis of homoskedasticity. As a result, the statistical evidence suggests that panel data regression with fixed and random effects is the most suited technique for the models.

When both fixed and random effects models exhibit good fit, the Hausman test is used to examine and determine which model is best. The Hausman test's null hypothesis is that a random effect model is better or more consistent than a fixed effect model. Use the fixed effect model if the null hypothesis is rejected; otherwise, use the random effect model. The chi-square statistics for tax aggressiveness in West African countries in the Hausman test finding provided in above table is 95.73, with P-values of 0.4289. Because the P-value is greater than 5% level of significance, the null hypothesis is not rejected, and the result of the random effect model supersedes empirical assumptions about the relationship and impact of the independent variables in both models. Therefore, the model passed the entire diagnostic test and thus the result is plausible for policy suppositions on the impact of board diversity on tax aggressiveness of quoted deposit money banks of selected West African Countries.

The dependent variable for random effect model is Effective Tax Rate(ETR) while Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT), Tax expense (TEX) and Total Board Composition (TBC) are the independent variables. The result indicates that Tax expense (TEX) and Total Board Composition (TBC) are

negatively related to Effective Tax Rate(ETR). This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will reduce with increase in tax expenses and board size (total board composition). On the other hand, there is direct relationship between Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT) and effective tax rate. This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will increase with increase in Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT).

However, the result indicates that are statistically significant at 1% level of significance. This is because half the values of the coefficients of these variables are greater than the standard errors of the coefficients. This means Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT) and Tax expense (TEX) have significant impact on tax aggressiveness in West African countries. The values of the coefficient of the regression indicates that tax aggressiveness of banks in West Africa increases with the increase in Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT) while the probability of improved tax aggressiveness of banks increases with reduction in tax expenses.

However, for the two steps GMM, in order to check the validity of the result, diagnostic tests were conducted and the results are presented in the lower part of table above. The Wald χ^2 statistic 4513.38 with probability value 0.000 indicates that the model has a good fit. Moreover, the Sargan test statistic is 274.15 with probability value 0.6760. The null hypothesis of the test that over identifying restrictions are valid cannot be rejected. This means, the instruments are valid. Further, the Arellano-Bond test for zero autocorrelation in first-differenced errors shows that the Z-statistic of the second order (AR 2) is 0.85 with probability value 0.395. Hence, the null hypothesis of the test, no autocorrelation, cannot be rejected. Hence, there is no problem of autocorrelation in the model. The dependent variable for the GMM model is effective tax rate while lag of effective tax rate (ETR-1), Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT), Tax expense (TEX) and Total Board Composition (TBC) are the independent variables. The result indicates that Tax expense (TEX) and Total Board Composition (TBC) are negatively related to Effective Tax Rate(ETR). This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will reduce with increase in tax expenses and board size (total board composition). On the other hand, there is direct relationship between lag of effective tax rate (ETR-1), Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT) and effect tax rate. This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will increase with increase in aggressiveness of tax in the previous year, Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED) and Profit before tax (PBT).

However, the result indicates that the variables are statistically significant at 1% and 5% level of significance. This is because half the values of the coefficients of these variables are greater than the standard errors of the coefficients. This means lag of effective tax rate (ETR-

1), Educational background diversity (EBD) and Profit before tax (PBT) have significant impact on tax aggressiveness in West African countries. The values of the coefficient of the regression indicates that tax aggressiveness of banks in West Africa increases with the increase in lag of effective tax rate (ETR-1), Educational background diversity (EBD) and Profit before tax (PBT) while the probability of improved tax aggressiveness of banks increases with reduction in tax expenses.

Table 4 Regression for Banks in Sierra Leone

	ETR			
	OLS	FE	RE	GMM
ETRL1	-	-	-	3.882191**
	-	-	-	(1.662067)
AGD	2812.579	3720.552**	2812.579	4229.761**
	(2044.592)	(1646.165)	(2044.592)	(1420.735)
EBD	-517.8923***	1302.302	-	4516.706***
			517.8923***	
	(138.262)	(1776.86)	(138.262)	(1142.374)
GED	5780.025***	-1772	5780.025***	4607.081
	(1264.601)	(2372.645)	(1264.601)	(3617.908)
PBT	3952.693**	489.2323***	3952.693**	2694.556**
	(1598.449)	(105.23)	(1598.449)	(1287.952)
TEX	.0000338	-.00152***	.0000338	-9.9906***
	(.0000924)	(.00173)	(.0000924)	(.0000751)
TBC	-19347.27	-39827.01	-19347.27	-24890.84
	(24820.25)	(27615.48)	(24820.25)	(44307.51)
_cons	27224.62**	29225.47**	27224.62**	42621.28***
	(11129.19)	(12801.8)	(11129.19)	12142.16
Diagnostic tests				
Wald chi2 statistic	479.00(0.000)			
Sargan test statistic	63.25(0.5261)			
Autocorrelation test (Arellano-Bond test) AR(2)	0.63(0.527)			
Hansen Test	14.42(0.210)			
Hausman Test	19.42(0.0016)			
Breusch-Pagan/Cook-Weisberg Test	338.86(0.0000)			

Source: Author's Computation(2025).

Standard errors in parentheses***, ** and * denotes 1%, 5% and 10% level of significance

respectively

Panel data regression was used to evaluate the impact of board diversity on tax aggressiveness of listed firms of banks in Sierra Leone. The result is displayed in the table above. The Breusch Pagan (BP) test has a drawback because it assumes heteroskedasticity is a linear function of the independent variables. The table above shows the findings of BP test chi statistics and P-value to be 338.86 and 0.0000 respectively, which are consistent in rejecting the null hypothesis of homoskedasticity. As a result, the statistical evidence suggests that panel data regression with fixed and random effects is the most suited technique for the models.

When both fixed and random effects models exhibit good fit, the Hausman test is used to examine and determine which model is best. The Hausman test's null hypothesis is that a random effect model is better or more consistent than a fixed effect model. Use the fixed effect model if the null hypothesis is rejected; otherwise, use the random effect model. The chi-square statistics for tax aggressiveness in banks of Sierra Leone in the Hausman test finding provided in above table is 19.42, with P-values of 0.0016. Because the P-value is less than 5% level of significance, the null hypothesis is rejected, and the result of the fixed effect model supersedes empirical assumptions about the relationship and impact of the independent variables in both models. Therefore, the model passed the entire diagnostic test and thus the result is plausible for policy suppositions on the impact of board diversity on tax aggressiveness of listed banks in Sierra Leone.

The dependent variable for random effect model is Effective Tax Rate (ETR) while Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT), Tax expense (TEX) and Total Board Composition (TBC) are the independent variables. The result indicates that Tax expense (TEX) and Total Board Composition (TBC) are negatively related to Effective Tax Rate (ETR). This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will reduce with increase in tax expenses and Total Board Composition (TBC). On the other hand, there is direct relationship between Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT), and effective tax rate. This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will increase with increase in Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED) and Profit before tax (PBT).

However, the result indicates that Age Diversity (AGD), Profit before tax (PBT) and Tax expense (TEX) are statistically significant at 1% and 5% level of significance. This is indicated by the coefficients of the variables which are 3720.552, 489.2323 and -.00152 with the standard error of 1646.165, 105.23 and .00173 respectively for the fixed effect models. Since half of the coefficients of the variable are greater than standard errors, the variables are statistically significant. Thus, the variables Age Diversity (AGD), Profit before tax (PBT) and Tax expense (TEX) have significant impact on tax aggressiveness. By size, the estimates of the coefficients show that one unit increase in Age Diversity (AGD), and Profit before tax (PBT) will lead to 3720.552, 489.2323 units increase probability of tax aggressiveness of banks in Sierra Leone.

However, the coefficient further show that one unit increase tax expenses will lead to .00152 unit reduction of probability of tax aggressiveness among banks in Sierra Leone.

However, for the two steps GMM, in order to check the validity of the result, diagnostic tests were conducted and the results are presented in the lower part of table above. The Wald chi2 statistic 479.00 with probability value 0.000 indicates that the model has a good fit. Moreover, the Sargan test statistic is 63.25 with probability value 0.5261. The null hypothesis of the test that over identifying restrictions are valid cannot be rejected. This means, the instruments are valid. Further, the Arellano-Bond test for zero autocorrelation in first-differenced errors shows that the Z-statistic of the second order (AR 2) is 0.64 with probability value 0.527. Hence, the null hypothesis of the test, no autocorrelation, cannot be rejected. Hence, there is no problem of autocorrelation in the model. The dependent variable for the GMM model is effective tax rate while lag of effective tax rate (ETR-1), Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT), Tax expense (TEX) and Total Board Composition (TBC) are the independent variables. The result indicates that tax expenses and total board composition are negatively related to Effective Tax Rate (ETR). This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will reduce with increase in tax expenses and total board composition. On the other hand, there is direct relationship between lag of effective tax rate (ETR-1), Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED), Profit before tax (PBT), and tax aggressiveness. This implies that there is more likelihood that the probability of coefficient of tax aggressiveness will increase with increase in lag of effective tax rate (ETR-1), Age Diversity (AGD), Educational background diversity (EBD), Gender diversity (GED) and Profit before tax (PBT).

However, the result indicates that the variables are statistically significant at 1% and 5% level of significance except gender diversity and total board composition. This is because half the values of the coefficients of these variables are greater than the standard errors of the coefficients. This means lag of effective tax rate (ETR-1), Age Diversity (AGD), Educational background diversity (EBD), Profit before tax (PBT) and Tax expense (TEX) have significant impact on tax aggressiveness of banks in Sierra Leone.

Conclusion

This study examined the effect of board diversity on tax aggressiveness among deposit money banks within the study context. Based on the empirical results, the study finds that board gender diversity exhibits a statistically significant relationship with tax aggressiveness, indicating that the presence of female directors is associated with differences in banks' tax-related decisions. In contrast, board age diversity and diversity in educational background show weak or insignificant effects on tax aggressiveness, suggesting that these attributes do not play a decisive role in shaping tax behavior within the banking sector during the period under review. These findings contribute to the corporate governance and taxation literature by providing context-specific evidence from a developing and post-conflict economy, where empirical studies on board characteristics and tax aggressiveness remain limited. Rather than establishing universal governance effects, the study highlights that the influence of board diversity on tax

behavior is selective and dimension-specific, reinforcing the need for caution when generalizing results from developed economies to emerging markets.

Recommendations

In light of the empirical findings, the following targeted recommendations are advanced:

1. Regulators and policymakers should encourage greater gender diversity on bank boards through governance codes and disclosure-based guidelines rather than rigid quotas. Such an approach allows flexibility while promoting transparency and gradual improvement in board composition.
2. Banking institutions should integrate gender diversity considerations into board nomination and succession planning processes, recognizing the potential role of female directors in strengthening ethical oversight and compliance-related decisions, including tax matters.
3. Supervisory authorities should complement board diversity initiatives with stronger tax compliance monitoring mechanisms, as board characteristics alone may not fully constrain aggressive tax practices, particularly in environments with weak enforcement capacity.
4. Future policy frameworks should adopt a holistic approach that combines board diversity with broader governance reforms—such as enhanced audit committee effectiveness and internal control systems—to improve responsible tax behavior in the banking sector.

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