

Unlocking the Growth-Value Puzzle: The Strategic Role of Tax Planning in Value Creation in the Thai Capital Market

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Abstract

This study examines the effect of sales growth on firm value, emphasizing the moderating role of tax planning within the frameworks of agency theory and the resource-based view. Using firm-level data from the SETSMART database, comprising 1,840 firm-year observations from companies listed on the Stock Exchange of Thailand, the study investigates how growth and tax strategy jointly shape firm valuation. The findings challenge the traditional belief that firm growth automatically enhances firm value. The results indicate that growth alone is insufficient for value creation; in the absence of effective strategic management and governance, growth may lead to operational risks, overinvestment, or agency conflicts that erode firm value. When tax planning is introduced as a moderating factor, its dual role becomes evident. Well-designed, transparent, and well-governed tax planning enhances financial flexibility, preserves cash flows, and enables firms to convert sales growth into sustainable economic value. In contrast, aggressive or poorly governed tax practices may be perceived as risky or opportunistic, weakening the value implications of growth and leading to lower firm valuation. Overall, the study highlights that the quality of growth matters more than its quantity, and that this quality is critically shaped by tax strategy and corporate governance mechanisms. The findings suggest that sustainable firm value in the Thai capital market depends not only on how much firms grow, but also on how effectively that growth is managed, financed, and governed.

Keywords: Tax Planning; Sales Growth; Firm Growth; Firm Value; Thai Capital Market

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Introduction

Amid an increasingly intense economic battlefield, firms are compelled to engage in fierce competition to ensure survival and achieve strategic business objectives (Huang, 2023). For companies listed on the Stock Exchange of Thailand, the ultimate goal is to create shareholder wealth, with the enhancement of firm value serving as a central mechanism. Firm value is not merely an accounting figure but a powerful reflection of a firm's market standing, financial strength, and long-term prospects. The higher the firm value, the more it functions as a magnet for potential investors. Consequently, firm value has become one of the most critical indicators of managerial success, capturing both past performance and the firm's capacity to generate future shareholder confidence (Jensen & Meckling, 1976).

Although numerous scholars have sought to identify the determinants of firm value, empirical findings remain fragmented and inconclusive (Afinindy et al., 2021). Prior empirical research has largely examined firm value determinants in a piecemeal manner. One prominent stream of literature focuses on the direct effect of sales growth on firm value, generally documenting a positive association and interpreting sales growth as a key signal of future profitability, market competitiveness, and expansion potential (Coad, 2007; Mai & Liao, 2022; Joshi et al., 2025). Another strand of research investigates tax planning as an independent financial strategy, demonstrating that efficient tax management can enhance firm value through improved cash flows and cost efficiency (Khaoula & Moez, 2019; Le, 2022; Razali et al., 2018). However, other studies caution that overly aggressive tax planning may generate agency costs and reputational risks, which can ultimately undermine firm value (Fuadah & Kalsum, 2021; Minh Ha et al., 2021). Nevertheless, amidst these mixed findings, sales growth has emerged as a focal point of academic interest since the dawn of the new millennium (Mai & Liao, 2022). The growing attention toward sales growth stems from its role as more than a simple revenue indicator; it represents the lifeblood of organizations, signaling their ability to expand markets, foster development, and sustain long-term customer relationships, which collectively form the foundation of sustainable success (Calixto & Ferreira, 2020; Rodríguez et al., 2024). While the positive relationship between sales growth and firm value is generally acknowledged, existing evidence suggests that revenue growth alone may not be sufficient to maximize long-term shareholder wealth.

Building on these separate strands of literature, a critical knowledge gap remains regarding how sales growth and tax planning jointly shape firm value. Existing studies predominantly treat financial strategies, such as tax planning, and business performance indicators, such as sales growth, in isolation, thereby offering limited insight into how these mechanisms interact in practice. In reality, firms rarely rely on revenue expansion alone; instead, they combine growth strategies with financial policies to enhance net cash flows and shareholder returns. This study argues that sales growth, by itself, may not fully translate into higher firm value unless it is complemented by strategic tax planning. Firms that manage tax obligations efficiently are better positioned to convert revenue expansion into stronger cash flows and higher net profits, thereby accelerating the transformation of growth into firm value. Accordingly, the central proposition of this study is not merely that increased sales lead to increased firm value, but rather that sales growth, when coupled with strategic tax planning, leads to a higher rate of firm value enhancement. By conceptualizing tax planning not as mere regulatory compliance but as a strategic financial capability, this study seeks to fill the identified research gap and provide an integrative perspective on value creation in the Thai capital market, ultimately contributing to a deeper understanding of how firms generate genuine shareholder wealth.

Literature Review

Theoretical Framework

This study is grounded in an integrated theoretical framework that explains the complex mechanisms through which sales growth and tax planning interact to drive firm value, under the overarching objective of maximizing shareholder wealth.

Agency Theory

Agency theory (Jensen & Meckling, 1976) serves as the primary lens to analyze the conflict of interest between managers (agents) and shareholders (principals). In this context, tax planning represents a critical issue reflecting such conflicts. The quality and direction of tax planning outcomes do not arise randomly but are directly shaped by the strength of corporate governance and internal control mechanisms (Cao et al., 2020). When internal controls are effective, tax planning functions as a financial strategy that benefits shareholders by reducing costs and enhancing cash flow, thereby contributing to firm value creation (Benkraiem et al., 2021). Conversely, when internal controls are weak, managers may engage in opportunistic behavior, using tax planning as a tool for private gain or to obscure actual performance, which increases agency costs and ultimately erodes firm value (Lv et al., 2025). Accordingly, within this research framework, tax planning is not treated as an isolated activity but as a reflection of governance quality and a moderating variable that can either strengthen or weaken the influence of sales growth on firm value, depending on the robustness of governance mechanisms.

Resource-Based View (RBV)

According to the RBV (Barney, 2001), sustainable competitive advantage arises from resources and capabilities that are valuable, rare, and difficult to imitate. In this regard, strategic tax planning is not merely a cost-reduction activity but a unique organizational capability that generates an essential resource-enhanced cash flow (Gabrielli & Greco, 2023). Such cash flow is highly flexible, can be readily allocated, and can be used to support sales growth activities, including new product development, market expansion, and brand-building initiatives (Lee & Wu, 2016). The critical insight of this perspective is that the integration of strategic tax planning with sales growth capabilities fosters dynamic capabilities that competitors cannot easily replicate. In other words, it is not merely about generating cash but about an organizational process that continually transforms financial efficiency (via tax planning) into market success (through sales growth). This integration creates a self-reinforcing Value Creation Cycle, where incremental cash flow is reinvested to accelerate sales growth, which in turn generates higher profits and new tax obligations to be managed strategically in subsequent cycles. Ultimately, this process sustains firm value creation and builds a genuine competitive advantage (Gabrielli & Greco, 2023).

The Relationship between Sales Growth and Firm Value

In capital markets, sales growth is widely regarded as a highly credible and value-relevant signal to external investors, as it reflects product competitiveness, market acceptance, and managerial capability (Mai & Liao, 2022). A substantial body of empirical evidence consistently documents a positive association between sales growth and firm value, indicating that firms with stronger sales expansion tend to be rewarded with higher market valuations. Seminal work by Fama and French (1995) shows that firms classified as growth stocks, characterized by robust sales growth, exhibit systematically higher price-to-book ratios, suggesting that capital markets assign valuation premiums to firms with superior future growth

prospects. Subsequent studies, such as Coad (2007), further corroborate this positive linkage between sales growth and firm valuation.

Importantly, sales growth should not be viewed merely as an outcome of past performance, but rather as a forward-looking mechanism through which firms shape investor expectations and influence future valuation. This perspective aligns closely with the Resource-Based View (RBV), which posits that sustainable value creation arises when firms effectively leverage heterogeneous resources and firm-specific capabilities to exploit growth opportunities (Barney, 2001; Davidsson et al., 2009). In line with evolutionary economics, the “growth of the fitter” principle further suggests that firms endowed with superior resources and capabilities are better positioned to translate sales growth into enhanced firm value, whereas resource-constrained firms may struggle to convert expansion into sustained valuation gains. Together, these arguments establish a strong theoretical rationale for examining the direct effect of sales growth on firm value in the subsequent empirical analysis.

At the same time, a substantial body of subsequent literature emphasizes that the valuation implications of sales growth are highly conditional rather than universal. Prior studies show that rapid sales expansion may fail to enhance firm value when growth is accompanied by overinvestment, declining marginal profitability, or inefficient capital allocation, leading investors to discount growth rather than reward it (Lang et al., 1996; Stiglitz, 2003; Wu & Pan, 2021). Collectively, these insights suggest that while sales growth has the potential to create firm value, its effectiveness ultimately depends on the firm’s ability to manage expansion efficiently and allocate resources in a value-enhancing manner.

The Relationship between Tax Planning and Firm Value

To explicitly address the mixed empirical findings in prior studies, this research distinguishes between aggressive tax planning and strategic (or efficient) tax planning and clarifies their fundamentally different implications for firm value. Aggressive tax planning is commonly associated with high levels of opacity, regulatory uncertainty, and opportunistic managerial behavior. From an agency theory perspective, such practices exacerbate information asymmetry and weaken both internal and external monitoring mechanisms, thereby increasing agency costs and exposing firms to reputational and regulatory risks that may ultimately undermine firm value (Fuadah & Kalsum, 2021; Minh Ha et al., 2021). These characteristics provide a plausible explanation for why prior empirical studies report both positive and negative associations between tax planning and firm value.

Recent evidence further suggests that the consequences of tax planning critically depend on governance structures and institutional oversight. For example, Sanoran (2025), using evidence from Thai listed firms during the COVID-19 pandemic, documents that corporate tax avoidance increased during periods of heightened economic uncertainty, but that longer audit firm tenure significantly mitigated such behavior. This finding underscores the importance of governance mechanisms in constraining opportunistic tax behavior and reinforces the view that tax planning cannot be evaluated independently of monitoring quality and institutional context. In environments where governance is weak, tax planning is more likely to be perceived as aggressive risk-taking, thereby weakening its value relevance.

In contrast, strategic tax planning emphasizes long-term tax efficiency, legal compliance, and consistency with the firm’s broader business strategy. By prioritizing transparency, sustainability, and governance alignment, strategic tax planning aligns managerial incentives with shareholder interests, mitigates agency conflicts, and enhances after-tax cash flows without

increasing informational risk. Prior studies document that such tax strategies facilitate more efficient resource allocation and support sustainable value creation, thereby generating positive valuation effects (Khaoula & Moez, 2019; Le, 2022; Razali et al., 2018)

From a forward-looking perspective, Kim et al. (2022) provide important insights by demonstrating that firms increase investment in tax planning when expectations about macroeconomic growth are optimistic. Their evidence suggests that tax planning is not merely reactive, but a strategic investment whose net present value increases when future growth opportunities expand. This finding reinforces the argument that tax planning should be conceptualized as a dynamic and strategic capability that supports firms' ability to convert growth opportunities into long-term value. This strategic view is further consistent with sustainability-oriented research. Sanoran, (2023) shows that corporate sustainability performance contributes positively to sustainable growth, although the strength of this relationship varies across industries. Taken together, these findings imply that value-enhancing tax planning must be embedded within broader sustainability, governance, and strategic frameworks, rather than pursued as an isolated cost-minimization activity.

Accordingly, this study adopts the perspective that tax planning functions as a value-enhancing strategic capability rather than an aggressive risk-taking activity. Grounded in the Resource-Based View, strategic tax planning is conceptualized as an organizational capability that generates flexible and valuable cash flow resources, which are recognized by capital markets and positively reflected in firm valuation (Gabrielli & Greco, 2023). By integrating agency theory with the Resource-Based View, this study provides a coherent theoretical explanation for the divergent findings in the literature and explicitly predicts a positive relationship between strategic tax planning and firm value. Therefore, consistent with this integrated theoretical framework, Hypothesis 2 is formulated.

Concept and Measurement of Tax Planning

Tax planning is defined as management's ability to legally structure a firm's tax position to minimize tax-related cash outflows without distorting reported accounting income, thereby enhancing after-tax returns to shareholders. In empirical research, tax planning effectiveness is commonly proxied by the Effective Tax Rate (ETR), typically measured as tax expense divided by pre-tax income. However, prior studies have raised concerns regarding the validity of ETR as a proxy for tax planning. Financial-statement-based average tax rates are often noisy and may introduce substantial measurement error and bias, particularly in the presence of earnings volatility or accounting discretion affecting reported income and tax expense (Plesko, 2003). More broadly, the tax measurement literature emphasizes that backward-looking ETRs derived from financial statement data can vary systematically with underlying profit dynamics and data construction choices, underscoring the importance of careful proxy selection in empirical analyses (Janský, 2023).

Consistent with this concern, recent reviews document that tax planning and tax avoidance have been operationalized using multiple proxies, including ETR, book-tax differences, and deferred tax measures, highlighting that no single measure is universally superior and that proxy choice should be guided by research context and construct validity (Ilaboya et al., 2016; Istrate, 2023). To address the limitations associated with income-based measures, this study adopts an alternative proxy proposed in prior empirical work, namely the ratio of tax expense to total assets (TAX/ASSET), following Thanjunpong and Awirothananon (2019) and Khawar et al. (2025). This measurement choice is further supported by international studies suggesting that scaling tax expense by relatively stable firm fundamentals, such as total

assets, provides a more reliable indicator of tax burden intensity and tax management efficiency than income-based measures alone (Baik et al., 2016; Zee et al., 2002). Moreover, comprehensive reviews emphasize that no single tax planning proxy is universally superior and that alternative measures are particularly useful in mitigating earnings-related noise, especially in emerging market contexts (Hanlon, 2005; Hanlon & Heitzman, 2010). By scaling tax burden relative to a relatively stable asset base, TAX/ASSET is less mechanically driven by short-term earnings fluctuations and better captures persistent differences in tax management efficiency across firms.

Importantly, firm size is included separately as a control variable to account for differences in economic scale, whereas TAX/ASSET reflects the intensity of tax burden conditional on the firm's asset base, capturing tax management efficiency rather than firm scale per se. This distinction mitigates concerns regarding redundancy between the two variables. Prior empirical studies similarly employ alternative scaling measures or multiple tax-planning proxies to enhance measurement robustness (Abu, 2022). Within the framework of this study, lower TAX/ASSET values indicate more effective, strategic, and non-aggressive tax planning, which enhances after-tax cash flows and strengthens firms' capacity to translate sales growth into sustainable increases in firm value in the context of the Thai capital market.

Conceptual Integration and Research Gap

Although prior studies have rigorously examined various determinants of firm value, the existing literature remains conceptually fragmented. A substantial body of empirical research documents a positive association between sales growth and firm value, typically interpreting revenue expansion as a signal of competitiveness and future profitability. Concurrently, another stream of research investigates the role of tax planning in shaping firm value, yet reports mixed and sometimes conflicting findings. Critically, these two strands of literature have evolved largely in parallel, with most studies examining sales growth and tax planning in isolation. As a result, the empirical evidence offers limited insight into how firms jointly leverage operational growth and financial strategy to enhance firm value.

This study moves beyond the confirmation of established bivariate relationships by advancing an integrative conceptual framework that explicitly links sales growth and tax planning within a unified value-creation process. We argue that sales growth alone does not automatically translate into higher firm value. Instead, its valuation impact is conditional on firms' ability to strategically manage tax obligations. Within this framework, tax planning is conceptualized not only as a direct determinant of firm value but also as a strategic moderator that governs the efficiency with which revenue growth is converted into sustainable after-tax cash flows. Firms that experience rapid sales growth while simultaneously engaging in effective, non-aggressive tax planning are therefore expected to systematically transform revenue expansion into firm value more efficiently than firms with comparable growth trajectories but weaker tax planning capabilities.

By integrating operational performance and financial strategy, this study addresses a critical gap in the finance literature and offers a process-oriented explanation of how growth opportunities are translated into shareholder value. This integrative perspective contributes to a deeper understanding of firm valuation by highlighting the conditional and interactive nature of growth-based value creation. Such insights are particularly relevant in emerging market

settings, where institutional constraints and tax environments heighten the importance of strategic financial capabilities in shaping firm value.

Research Hypotheses

To address the research questions and fill the identified knowledge gap, this study proposes three hypotheses that explore the complex relationships between tax planning, sales growth, and firm value:

H1. Sales growth is a key driver that positively influences firm value.

Rationale: Sales growth serves as a salient market signal that reflects a firm's competitive position, expansion capability, and future profitability potential. From a signaling theory perspective, sustained revenue growth conveys credible information about a firm's growth opportunities and operational strength, which is incorporated by investors into firm valuation. Accordingly, higher sales growth is expected to enhance investor confidence and positively influence firm value.

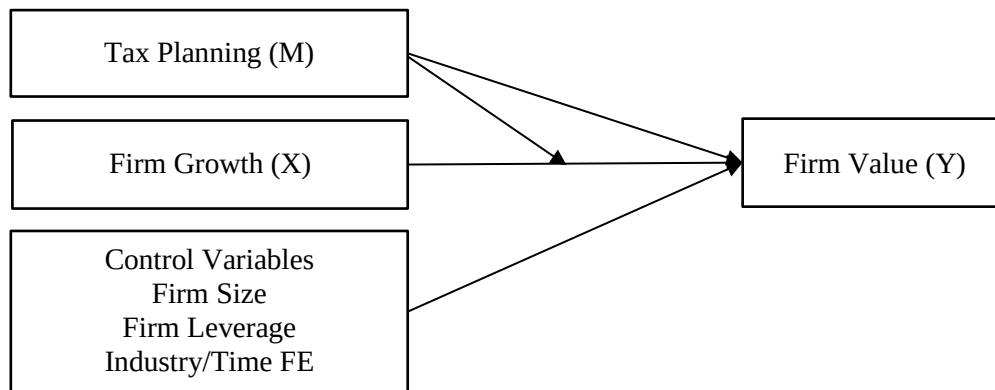
H2. Strategic tax planning has a positive influence on firm value.

Rationale: Although prior studies document both positive and negative effects of tax planning on firm value, the adverse outcomes commonly reported in the literature are predominantly associated with aggressive tax planning characterized by opacity, heightened regulatory risk, and significant managerial opportunism. In contrast, this study focuses on strategic, non-aggressive tax planning, which emphasizes legal compliance, transparency, and alignment with the firm's long-term business strategy. From an agency theory perspective, such an approach plays a critical role in reducing information asymmetry and constraining agency costs by limiting opportunistic behavior and strengthening governance and monitoring mechanisms.

Moreover, grounded in the Resource-Based View, strategic tax planning can be conceptualized as a firm-specific capability that enhances resource allocation efficiency and generates sustainable after-tax cash flows. These cash flow resources facilitate long-term investment in value-creating activities and are positively recognized by capital markets, thereby contributing to systematic increases in firm value.

H3. Strategic tax planning moderates the relationship between sales growth and firm value.

Rationale: Building on the interaction between operational performance and financial strategy, this study posits that the effect of sales growth on firm value is not uniform across firms but depends on the firm's tax planning capability. Strategic tax planning enhances the efficiency with which firms systematically transform revenue expansion into sustainable after-tax cash flows by reducing tax-related cash outflows without increasing informational or regulatory risk. Grounded in both agency theory and the Resource-Based View, tax planning functions as a value-unlocking strategic capability that mitigates agency frictions and provides flexible financial resources. Consequently, firms with stronger strategic tax planning capabilities are better positioned to amplify and sustain the value-enhancing effect of sales growth, leading to a stronger positive relationship between sales growth and firm value.

**Figure 1: Research Conceptual Framework**

Source(s): Created by authors

Research Methodology

Sample

We collected data from the SETSMART database and downloaded the financial statement information of all active firms listed on the Stock Exchange of Thailand (SET). Initially, there were 683 listed firms. Financial and insurance companies were excluded to avoid structural and regulatory differences, and Real Estate Investment Trusts were also removed due to their distinct reporting and capital structure characteristics. In addition, firms with incomplete or abnormal data were eliminated to ensure data quality and improve the reliability of the statistical analysis. After these exclusions, the final sample consisted of 368 non-financial firms. The study covers five years from 2020 to 2024, which aligns with the availability of complete financial data in the SETSMART database. As a result, the final dataset comprises 1,840 firm-year observations. Table 1 presents the sample selection process and the distribution of observations across industry groups.

Table 1: Sample Selection Process

Sample Selection Process	Firms	Industry Group	Obs.	(%)
Total firms listed on the SET	683	Agro & Food Industry	250	13.59
Financial and Insurance companies	(68)	Consumer Products	135	7.34
Real Estate Investment Trusts	(67)	Industrials	300	16.30
Firms with incomplete or abnormal data	(180)	Property & Construction	325	17.66
Final sample	368	Resources	215	11.68
Study period (years)	5	Services	455	24.73
		Technology	160	8.70
Total	1,840		1,840	100

Source(s): Created by authors

Variables measurement

Our analysis models (see next section) involve the following variables:

1) Firm Value (Dependent variable): This study employs Tobin's Q as a measure of firm value, reflecting the management's ability to utilize the company's resources efficiently and create added value for shareholders. Tobin's Q is calculated by adding the market value of equity to the book value of debt and dividing the sum by the book value of total assets. A

Tobin's Q greater than 1 indicates that the market values the company's assets higher than their book value, reflecting effective management performance and strong growth potential. Conversely, a Tobin's Q lower than 1 implies that the market values the company below the book value of its assets, which may suggest declining operational efficiency or overinvestment by the firm (Fuadah & Kalsum, 2021; Lv et al., 2025).

2) Firm Growth (Explanatory variable): This study employs the Sales Growth Rate as a measure of Firm Growth, reflecting the company's ability to increase its operating revenues over different accounting periods. Sales growth is a key indicator of a firm's competitiveness and operational efficiency. Firms that demonstrate consistent sales expansion typically reflect an ability to increase market share, enhance production efficiency, and develop innovative products and services, all of which directly contribute to long-term value creation. Within the context of the Thai capital market, the sales growth rate serves as an important factor that fosters investor confidence and significantly influences the firm's valuation (Afinindy et al., 2021; Gabrielli & Greco, 2023).

3) Tax Planning (Moderator variable): The ratio of total income tax expense to average total assets (TAX/ASSET) serves as an indicator of managerial efficiency in optimizing the firm's tax burden relative to its asset structure and overall scale (Thanjunpong & Awirothananon, 2019; Khawar et al., 2025).

4) Firm Size, Firm Leverage, and Industry/Time Fixed Effect (Control variables): Firm Size is measured as the natural logarithm of total assets. Firm Leverage is calculated as the ratio of total debt to total assets. Industry/Time Fixed Effect is included as a dummy variable to control for unobserved heterogeneity across industries and fiscal years (Afinindy et al., 2021; Mansikkamäki, 2023).

Regression equations

Prior accounting literature has emphasized the importance of deepening our understanding of hypothesized associations. To achieve this, scholars have suggested the use of moderation analysis to identify the conditions under which the relationship between X and Y exists, or how its magnitude or direction may vary. In this study, we employ the PROCESS macro (Hayes, 2022) to estimate Model (1) using 10,000 bootstrapping samples with 95% bias-corrected confidence intervals. For Model (1) (Figure 2), we apply a simple moderation model to examine the effect of X (Firm Growth) on Y (Firm Value), with M (Tax Planning) serving as the moderator. The analysis is conducted at time t (the end of the fiscal year), using data from December of year t .

The regression equations for Model (1) are as follows:

$$FV_{i,t} = \beta_0 + \beta_1 FGR_{i,t} + \beta_2 TAX_{i,t} + \beta_3 FGR * TAX_{i,t} + \beta_4 FSIZ_{i,t} + \beta_5 FLEV_{i,t} + Industry/Time\ Fixed\ Effects + \varepsilon_{i,t}$$

Where $FV_{i,t}$ denotes firm value of firm i in year t , measured by Tobin's Q. $FGR_{i,t}$ represents sales growth, capturing the firm's expansion in revenues. $TAX_{i,t}$ denotes tax planning, measured as the ratio of tax expense to total assets, reflecting the firm's tax burden intensity and tax management efficiency. The interaction term $FGR_{i,t} \times TAX_{i,t}$ captures the moderating effect of tax planning on the relationship between sales growth and firm value. $FSIZ_{i,t}$ is firm size, measured as the natural logarithm of total assets, which controls for differences in

economic scale across firms. $FLEV_{i,t}$ represents financial leverage, measured as the ratio of total liabilities to total assets, capturing the firm's capital structure and financial risk. Industry and year fixed effects are included to control for unobserved heterogeneity across industries and macroeconomic conditions over time. $\varepsilon_{i,t}$ is the error term.

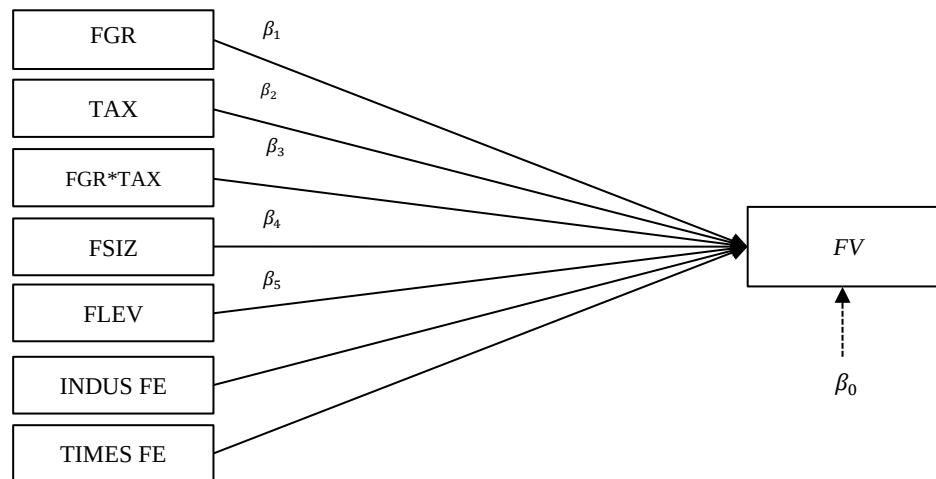


Figure 2: Statistical diagram of the two-way interaction effect

Source(s): Created by authors

Research Findings and Discussions

Descriptive statistics

Table 2: Summary Statistics

Variables	Obs.	Descriptive statistics				Normality tests	
		Min	Max	Mean	SD	Skewness	Kurtosis
FV (Times)	1,840	0.10	3.76	1.44	0.81	1.34	0.97
TAX (Times)	1,840	-0.02	0.06	0.01	0.01	1.22	2.12
FGR (Times)	1,840	-0.48	0.85	0.07	0.25	0.55	0.54
FSIZ (Billion baht)	1,840	0.20	3,460	51	213	11.29	159
lnFIZ (Natural logarithm)	1,840	12.20	21.96	16.03	1.62	0.75	0.38
FLEV (Times)	1,840	0.00	0.99	0.45	0.22	0.15	-0.83

Source(s): Created by authors

Table 2 presents the descriptive statistics of all variables employed in the empirical analysis, with Firm Value (FV) as the dependent variable. The mean FV of 1.44 times indicates that, on average, firms are valued by the market at 44% above their book value, implying that investors anticipate future profitability and growth potential beyond the firm's current accounting position. The lower bound of 0.10 times suggests that some firms are perceived as financially distressed or inefficient, leading to a market discount. In contrast, the upper bound of 3.76 times reflects that certain firms possess strong intangible assets, superior governance, or high growth prospects that justify substantial market premiums. This wide dispersion underscores the heterogeneity in market perception and firm performance within the sample.

The main explanatory variable, Firm Growth (FGR), has a mean of 0.07 times and spans from -0.48 to 0.85 times, revealing substantial variation in growth trajectories. The presence of negative values indicates that some firms face declining revenues or contracting operations, whereas positive values close to 1 suggest rapid expansion. Such variability is consistent with theoretical views that growth opportunities differ based on industry dynamics, resource allocation, and managerial decision-making.

Tax Planning (TAX), the moderating variable, is measured as tax expense divided by total assets. The mean value of 0.01 times indicates that tax burdens are relatively small in proportion to firm assets. Notably, TAX ranges from -0.02 to 0.06 times. Negative values arise when firms report tax benefits or deferred tax assets, which may result from tax incentives, loss carryforwards, or strategic timing of income recognition. This variation demonstrates that firms employ heterogeneous tax strategies, ranging from aggressive tax minimization to conventional tax compliance, in line with agency theory and tax avoidance literature.

Firm Size (FSIZ), measured in billion baht, exhibits extreme dispersion (0.2 to 3,460 billion baht) and highly positive skewness (skewness = 11.29; kurtosis = 159.00), reflecting the coexistence of both small firms and large conglomerates in the Thai capital market. Given the scale differences and the dominance of a few very large firms, the raw FSIZ distribution violates the normality assumption required for parametric inference. To mitigate this issue, a natural logarithm transformation is applied. The resulting lnFSIZ has a mean of 16.03, a reduced standard deviation (1.62), and substantially lower skewness (0.75) and kurtosis (0.38), confirming that the transformation improves distributional properties and enhances the reliability of regression estimates.

The control variable, Financial Leverage (FLEV), has a mean of 0.45 times and ranges from 0.00 to 0.99 times, suggesting that firms employ varying capital structures from fully equity-financed firms to those highly dependent on debt. This variation aligns with capital structure theory, whereby firms trade off tax benefits of debt against bankruptcy risk, and also reflects differences in governance quality and access to external financing.

Overall, the descriptive statistics suggest that the dataset contains sufficient variation to capture meaningful cross-firm differences in value, growth, tax behavior, size, and leverage. However, the extreme non-normality of certain raw variables, particularly firm size, necessitates the application of a logarithmic transformation to meet the assumptions of linear regression and ensure statistical validity. These preliminary diagnostics provide a robust foundation for the subsequent econometric analysis and support the appropriateness of the model specification.

Measurement Reliability, Validity, and Homoscedasticity Diagnostics

Skewness and kurtosis statistics show that most variables are reasonably distributed; however, firm size required a transformation to improve normality. To further assess normality, skewness and kurtosis tests were conducted. The results indicate that some variables have skewness and kurtosis values outside the acceptable range of -2 to +2, suggesting deviations from a normal univariate distribution (Buallay, 2022; George, 2011). Therefore, appropriate transformations, such as the logarithmic conversion of firm size, were applied to enhance normality and ensure the validity of the subsequent regression analysis.

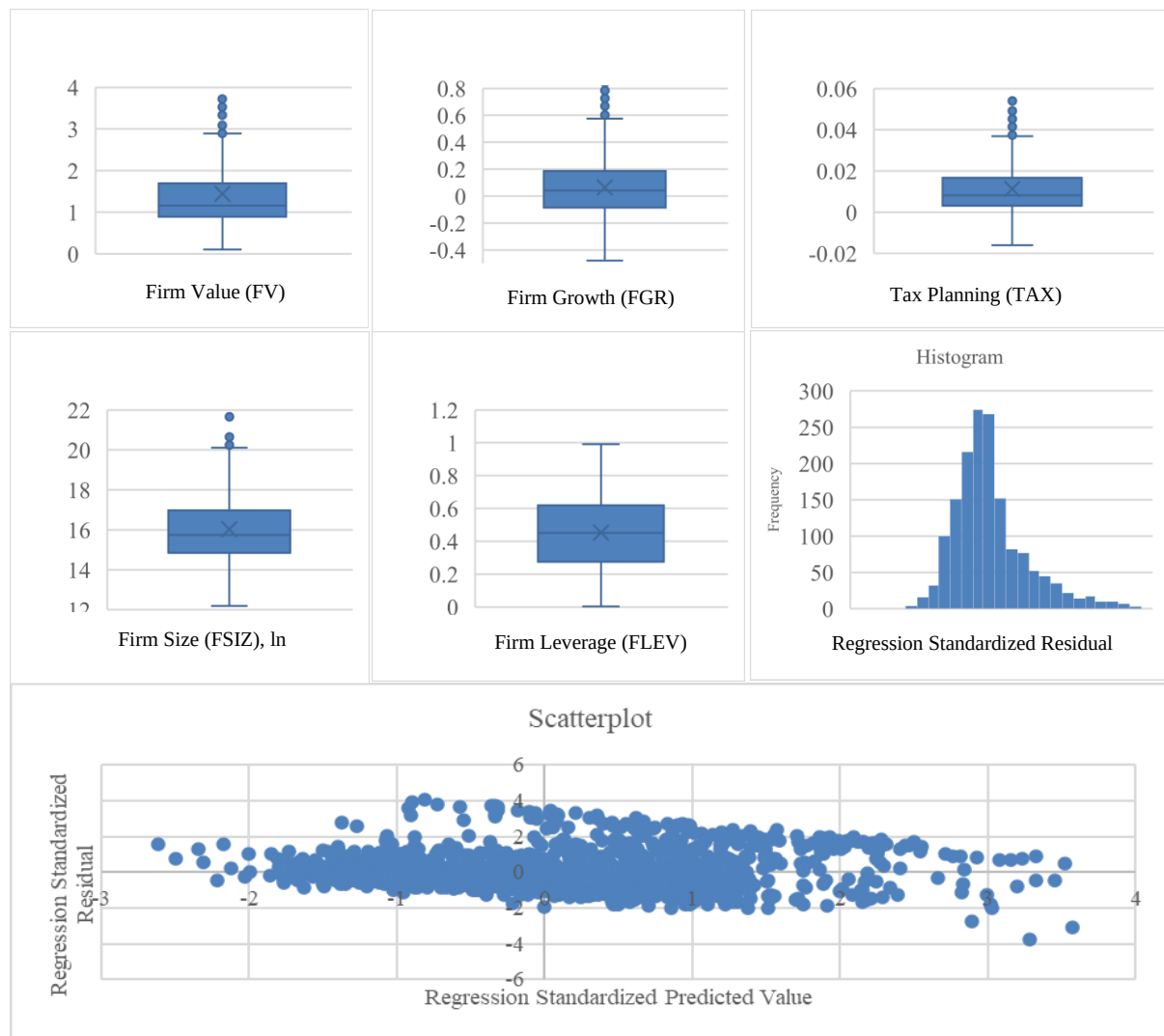


Figure 3: Box Plots of Variables and Residual Diagnostics

Source(s): Created by authors

We employ boxplots to visually examine the distributional characteristics of each variable. As shown in Figure 3, the interquartile ranges are relatively similar across variables, indicating a consistent level of dispersion. Several outliers are observed in firm value (FV), firm growth (FGR), tax planning (TAX), and firm size (FSIZ). Nonetheless, the medians lie near the center of the boxes, suggesting that the distributions are generally symmetric. Residuals are defined as the difference between the observed and predicted values of the dependent variable (Amadi, 2023). To verify the assumptions underlying the regression model, we conducted diagnostic analyses. The histogram of standardized residuals (top right of Figure 3) displays an approximately bell-shaped pattern, implying that the normality assumption is reasonably satisfied. In addition, the scatterplot of standardized residuals against standardized predicted values (bottom of Figure 3) reveals a random distribution of points without noticeable curvature or funnel-shaped patterns, indicating no serious violation of linearity or homoscedasticity. Taken together, these results confirm that the data meet the key assumptions required for reliable regression estimation.

Univariate analysis

Table 3. Correlation Matrix and Multicollinearity Diagnostics

Variables	FV	FGR	TAX	FGR*TAX	lnSIZE	FLEV
FV	1.000	0.099**	0.436**	0.152**	-0.105**	-0.004
FGR	0.099**	1.000	0.198**	0.565**	0.072**	0.010
TAX	0.436**	0.198**	1.000	0.377**	-0.096**	-0.217**
FGR*TAX	0.020	-0.086**	0.114**	1.000	0.030	-0.014
lnFSIZ	-0.105**	0.072**	-0.096**	0.001	1.000	0.222**
FLEV	0.001	0.010	-0.217**	0.020	0.222**	1.000
VIF (1)		1.58	1.25	1.69	1.30	1.33
VIF (2)		1.18	1.14	1.05	1.30	1.33

Notes: *p*-values are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively

Source(s): Created by authors

In this study, the Variance Inflation Factor (VIF) was reported in two forms: VIF (1), calculated from the raw variables, and VIF (2), calculated from the mean-centered variables. Although all VIF (1) values are already below the commonly accepted threshold of 5 (Hair et al., 2019) and far from the critical level of 10 (Shrestha, 2020), Mean centering was still applied, particularly to the interaction term, to follow the recommended practice in moderation analysis (Shieh, 2011). This procedure helps reduce the non-essential multicollinearity between the main effects and their interaction term and enhances the interpretability of the regression coefficients. Reporting both VIF (1) and VIF (2) provides a clearer comparison of multicollinearity before and after mean centering. The results show that all VIF values range from 1.05 to 1.69, confirming that multicollinearity is not a serious concern. Notably, the VIF of the interaction term (FGR*TAX) decreases substantially from 1.69 to 1.05 after mean centering, demonstrating the effectiveness of this technique in reducing linear dependency. Table 3 also presents the Pearson correlation matrix. The values above the diagonal represent the correlations using raw data, while the values below the diagonal are based on mean-centered variables. All correlation coefficients are below the threshold of 0.80 (Masson et al., 2003), indicating the absence of high intercorrelation among predictors. Taken together, both the VIF and correlation results confirm that the data are suitable for regression analysis. Therefore, the next section presents the regression results used to test the study's hypotheses.

Main results

Table 4: Moderation and Conditional Effects Analysis Using PROCESS Model

FV= Tobin's Q (1,840 observations)						
Variables		Coeff	se	t-value	p-value	LLCI ULCI
Constant	Hypothesis	1.940	0.184	10.517	0.000***	1.578 2.302
FGR	H1	-0.099	0.071	-1.388	0.166	-0.238 0.041
TAX	H2	28.567	1.450	19.704	0.000***	25.724 31.411
FRG*TAX	H3	-11.659	4.533	-2.572	0.010**	-20.551 -2.767
lnSIZE		-0.027	0.012	-2.290	0.022**	-0.050 -0.004
FLEV		0.514	0.086	5.963	0.000***	0.345 0.683
Industry/ Time FE	Yes					
R-square		0.341				
F		54.369				
p-value		0.000***				
Conditional effects of the focal predictor at values of the moderator(s):						
	Tax Planning	Effect	se	t	p	LLCI ULCI
	Low -0.001	0.043	0.084	0.512	0.608	-0.122 0.209
	Medium 0.011	-0.099	0.071	-1.388	0.166	-0.238 0.041
	High 0.023	-0.240	0.095	-2.527	0.012	-0.427 -0.054
Moderator value(s) defining Johnson-Neyman:						
	Value	% below	% above			
	0.016	72.847	27.153			

Notes: p-values are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Source(s): Created by authors

Results of Hypothesis Testing

The results reveal a nuanced set of dynamics underlying firm value creation (Tobin's Q). The regression model is statistically reliable (F-statistic = 54.3686, $p < 0.001$) and explains 34.11% of the variation in firm value ($R^2 = 0.3411$), which is considered satisfactory for archival firm-level data.

Hypothesis 1: Sales Growth and Firm Value

Notably, sales growth (FGR) does not exhibit a statistically significant direct effect on firm value ($p = 0.166$), indicating that growth alone does not automatically translate into higher market valuation. Although this finding appears to contrast with the classical growth-value paradigm established by Fama and French (1995), It is consistent with a substantial body of subsequent literature emphasizing that the valuation implications of growth are highly conditional rather than universal. Prior studies demonstrate that rapid sales expansion may fail to enhance firm value when growth is associated with overinvestment, declining marginal profitability, or inefficient capital allocation (Lang et al., 1996; Stiglitz, 2003; Wu & Pan, 2021). From an agency-theoretic perspective, growth can intensify agency conflicts by increasing free cash flows and managerial discretion, thereby facilitating empire building and value-destroying investments in the absence of effective monitoring mechanisms (Jensen & Meckling, 1976; Jensen, 1986)

Moreover, empirical evidence increasingly suggests that the growth - value relationship varies across institutional settings. In emerging markets and environments characterized by weaker governance structures or higher financing constraints, sales growth may reflect aggressive expansion, competitive pressure, or short-term revenue inflation rather than sustainable value creation, leading investors to discount rather than reward growth (Maher & Andersson, 2000; Schedelik et al., 2021; Wu & Pan, 2021). Consistent with this view, several studies document insignificant or even negative valuation effects of growth when firms lack complementary financial discipline, governance quality, or internal capabilities to manage expansion effectively (McNichols & Stubben, 2008).

Taken together, these findings suggest that the absence of a direct positive association between sales growth and firm value in this study does not contradict the extant growth literature, but rather refines it by highlighting the importance of firm-specific and institutional contexts. Specifically, growth appears to become value-relevant only when firms possess internal mechanisms such as effective governance and disciplined financial management that enable them to convert expanding revenues into durable economic returns. This perspective provides a strong conceptual basis for examining tax planning as a moderating mechanism that conditions whether sales growth enhances or erodes firm value

Hypothesis 2: Strategic Tax Planning and Firm Value

The regression results indicate that strategic tax planning (TAX) exhibits a strong and statistically significant positive association with firm value ($\beta = 28.567$, $p < 0.001$), providing support for Hypothesis 2. This finding suggests that firms with more effective tax management tend to achieve higher market valuation.

Importantly, this result should not be interpreted as evidence that paying higher taxes enhances firm value. In this study, TAX captures the firm's realized tax burden relative to its

asset base and reflects the quality of tax management rather than tax aggressiveness. The positive association implies that firms capable of generating genuine operating profits and managing tax obligations in a lawful, transparent, and sustainable manner are better positioned to preserve net operating cash flows and financial stability. From a theoretical perspective, such tax planning quality functions as a firm-specific strategic capability consistent with the Resource-Based View (Barney, 2001), generating flexible financial resources that can be allocated toward value-enhancing investments (Gabrielli & Greco, 2023). Moreover, transparent and compliant tax behavior may serve as a positive signal of managerial quality and long-term stability, which capital markets incorporate into firm valuation.

Hypothesis 3: The Moderating Role of Strategic Tax Planning

The interaction term between sales growth and tax planning ($FGR \times TAX$) is negative and statistically significant ($\beta = -11.659$, $p = 0.010$), supporting Hypothesis 3. This result indicates that strategic tax planning moderates the relationship between sales growth and firm value, altering both the magnitude and the direction of the growth–value linkage.

To further examine this moderating mechanism, conditional effects analysis reveals that when TAX is at low to moderate levels, the effect of sales growth on firm value is statistically indistinguishable from zero. This suggests that sales expansion alone does not automatically translate into higher market valuation in the absence of complementary capabilities in cost control, cash flow preservation, and resource allocation. This finding is consistent with prior literature emphasizing that growth yields value only when it can be converted into sustained profitability or strategic advantage (Coad, 2007).

In contrast, when TAX reaches relatively high levels, the effect of sales growth on firm value becomes significantly negative (Effect = -0.240 , $p < 0.05$). Under a heavy or poorly managed tax burden, growth appears to become value-destroying rather than value-enhancing. In such contexts, the cash flows generated by expansion are increasingly absorbed by tax obligations, reducing the resources available for productive reinvestment and potentially intensifying agency problems associated with inefficient expansion and empire-building behavior (Jensen, 1986; Jensen & Meckling, 1976).

The Johnson–Neyman analysis further reinforces this interpretation by identifying a critical tax threshold of 0.016, above which the relationship between sales growth and firm value shifts from neutral to significantly negative. This evidence underscores that tax planning is not merely an auxiliary control variable, but a strategic condition that governs whether firm growth translates into value creation or value erosion.

In sum, the study shows that the quantity of growth matters less than the quality of growth, and that quality is conditioned by the firm's tax management. Appropriately designed, transparent, and lawful tax planning can amplify the value of growth by preserving cash flows and signaling managerial competence. Conversely, growth pursued under a high or poorly managed tax burden can backfire, eroding value through diminished cash availability and heightened agency concerns. The strategic alignment of growth policy with tax strategy and the governance that underwrites both thus emerges as a key lever for sustaining long-run firm value.

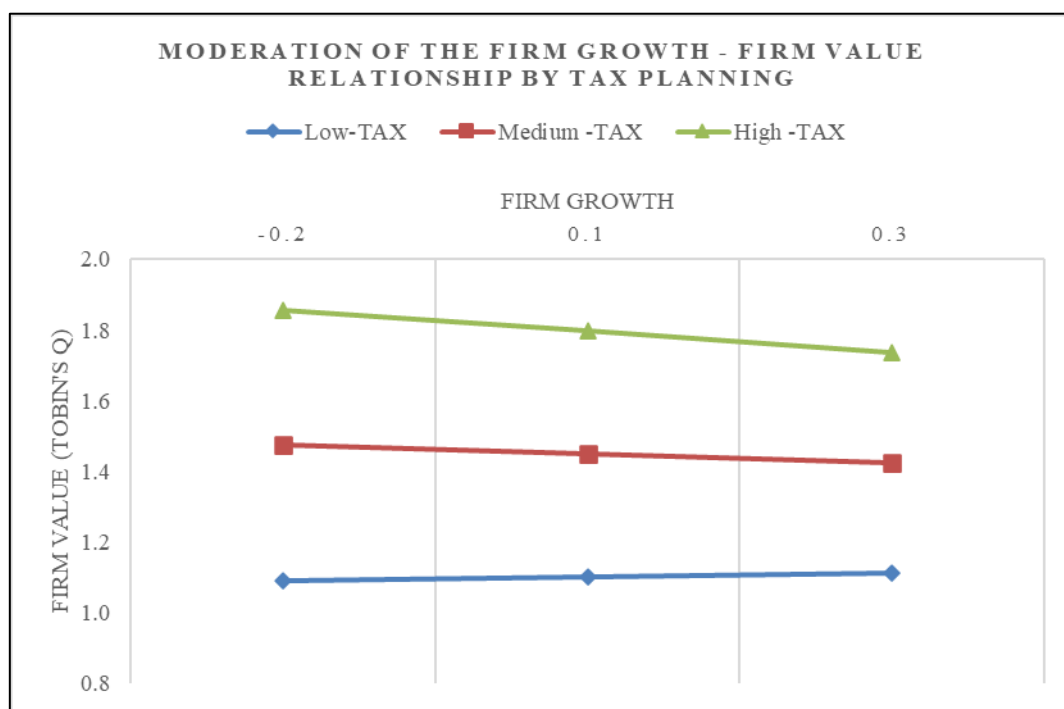


Figure 4: Interaction Plot Illustrating the Conditional Effect of Firm Growth on Firm Value Across Low, Medium, And High Levels of Tax Planning

Source(s): Created by authors

The interaction plot provides a clear visualization of the role of tax planning in the relationship between firm growth and firm value. The horizontal axis represents the level of firm growth, while the vertical axis displays firm value measured by Tobin's Q. The plot includes three separate lines corresponding to different levels of tax planning—low, medium, and high—allowing us to observe the conditional effect of growth under different tax planning contexts. The visual results reveal that firm growth alone does not guarantee an increase in firm value; rather, the effect of growth depends on the firm's tax strategy. For firms with low levels of tax planning, the line is almost flat, indicating that increases or decreases in sales growth have little to no effect on firm value. This is consistent with the statistical results showing that FGR has no significant impact on value overall. In other words, when firms do not manage their tax burden effectively, growth by itself cannot be transformed into economic value. In the medium tax planning condition, the line shows a slightly negative slope, but the effect is still statistically insignificant. This suggests that while some level of tax management is present, it is still insufficient to convert growth into meaningful changes in firm value, either positive or negative. The most striking pattern appears in the high tax planning condition. Although the high-tax line remains at the highest overall level across all growth values, indicating the direct positive effect of tax planning on firm value (supporting H2), the line declines sharply as growth increases. This means that when firms engage in high levels of tax planning, higher sales growth actually leads to a significant decrease in firm value. This result confirms Hypothesis H3 and illustrates that tax planning acts as a moderator capable of reversing the direction of the growth–value relationship. Thus, the plot reinforces a key theoretical insight: tax planning functions as a double-edged sword. On one hand, efficient tax management can enhance firm value directly by reflecting true profitability, transparency, and long-term financial sustainability. On the other hand, when growth occurs alongside aggressive or

intensive tax strategies, the market may interpret it as a signal of hidden risks, managerial opportunism, or weak governance, core concerns highlighted by Agency Theory. As a result, investors may react negatively to growth under such conditions, reducing firm value rather than rewarding expansion.

In summary, the plot clearly demonstrates that good growth is not determined by the amount of sales increase alone, but by the firm's ability to align growth with effective and responsible tax management. When growth is paired with appropriate tax strategies, firm value increases. However, when growth occurs under heavy tax burdens or overly aggressive tax planning, it can ultimately become a value-destroying force.

Robustness analysis

To ensure the accuracy and reliability of the main model's results, a robustness check was conducted using a non-parametric bootstrapping procedure with 10,000 resamples. In each iteration, repeated sampling with replacement (resampling) was performed, and the original model was re-estimated while keeping all control variables constant. Subsequently, 95% bias-corrected and accelerated confidence intervals and empirical p-values were computed from the bootstrap distribution of the parameter estimates. These were used to assess statistical significance instead of relying on normal-theory assumptions. The bootstrapped results were highly consistent with the original model in terms of both effect magnitude (effect size) and direction of relationships (positive/negative effects). In particular, the positive effect of tax planning on firm value (H2) and the moderating effect between firm growth and tax planning (H3) remained statistically significant even after 10,000 bootstrap replications. Therefore, these findings confirm that the core results of this study are highly robust and not driven by sample-specific randomness or model specification issues, thereby strengthening the credibility of the theoretical interpretations and policy implications derived from the analysis.

Table 5: Robustness Check of the Interaction Model Using 10,000 Bootstrap Replications

FV= Tobin's Q (1,840 observations)						
	Hypothesis	Coeff	BootMean	BootSE	BootLLCI	BootULCI
constant		1.940	1.934	0.190	1.556	2.302
FGR	H1	-0.099	-0.101	0.084	-0.266	0.061
TAX	H2	28.567	28.700	1.954	24.867	32.535
FRG*TAX	H3	-11.659	-11.781	6.449	-24.536	1.040
lnSIZE		-0.027	-0.026	0.013	-0.051	-0.001
FLEV		0.514	0.515	0.090	0.341	0.689
Industry/ Time FE		Yes				

Although the interaction term between firm growth and tax planning (FGR*TAX) was statistically significant in the main regression model, the bootstrap analysis with 10,000 resamples produced a 95% confidence interval that narrowly crossed zero (BootLLCI = -24.536, BootULCI = 1.040). At first glance, this might suggest a reduction in statistical significance. However, a deeper examination reveals that the magnitude and direction of the interaction effect remain highly consistent with the original model ($\beta = -11.659$ vs. BootMean = -11.781), indicating that the effect is stable but statistically conservative when evaluated under a stringent, distribution-free method such as bootstrapping. This pattern is common in moderation analysis, as interaction effects are inherently more variable and sensitive to sampling fluctuations than main effects (Igartua & Hayes, 2021).

More importantly, the conditional effects and Johnson–Neyman analysis provide strong evidence that the moderating effect of tax planning is not uniform across all values of growth, but emerges specifically at higher levels of tax planning. In particular, at high TAX levels, the simple slope of FGR is significantly negative ($p = 0.012$), and the Johnson–Neyman technique identifies a precise threshold ($TAX = 0.0156$) beyond which the growth–value relationship becomes significantly negative. This indicates a context-dependent (conditional) moderation effect, which is theoretically meaningful and more informative than relying solely on the average interaction term. In other words, even though the global interaction coefficient becomes marginal under bootstrapping, the substantive and theoretically grounded moderation pattern remains intact and statistically significant at specific tax levels. From a theoretical standpoint, this result is consistent with Agency Theory, which posits that when firms combine rapid growth with intensive tax strategies, investors may perceive higher opportunistic behavior, complexity, or governance risk, leading to lower firm value. Thus, tax planning functions as a double-edged sword: it enhances value directly (as confirmed in H2), but when coupled with aggressive growth, it can reverse the growth–value relationship and generate value destruction. Therefore, the slight loss of global significance under bootstrapping does not undermine H3; rather, it reinforces the interpretation that the moderating effect of tax planning is conditional, asymmetric, and theoretically sound, and remains empirically supported at the critical levels where it matters most.

Theoretical Contributions

This study advances the literature in three important theoretical dimensions. First, it moves beyond traditional linear examinations of firm growth by demonstrating that sales growth does not inherently create firm value, but instead exerts context-dependent and conditional effects. By showing that growth fails to enhance firm value in the absence of adequate financial discipline and effective governance mechanisms, this study refines rather than contradicts the conventional growth–value literature. In particular, the findings align with agency-based arguments that unmanaged expansion may increase agency costs and resource misallocation, ultimately eroding firm value (Jensen & Meckling, 1976).

Second, this study enriches the tax planning–firm value debate by clarifying that tax planning should not be interpreted solely as tax avoidance or short-term cost minimization. Consistent with the Resource-Based View, high-quality tax planning is conceptualized as a firm-specific strategic capability that enhances financial flexibility and signals managerial competence to capital markets (Barney, 2001). In line with prior research, such tax strategies contribute to firm value not only through after-tax cash flow preservation but also by promoting transparency, legitimacy, and long-term stability (Gabrielli & Greco, 2023; Hanlon & Heitzman, 2010).

Third, and most importantly, this study introduces a conditional perspective by positioning tax planning as a moderating mechanism in the relationship between sales growth and firm value. Rather than treating growth and tax planning as independent drivers of value, the findings reveal their dynamic interplay, whereby tax planning can either amplify or dampen the value implications of growth depending on its intensity and quality. This insight extends Agency Theory by demonstrating that aggressive or excessively intensive tax strategies, when combined with rapid growth, may heighten investor concerns regarding governance risk and managerial opportunism, ultimately reducing firm value (Jensen, 1986; McNichols & Stubben, 2008). By integrating growth dynamics, tax strategy, and governance perspectives, this study offers a more holistic and realistic explanation of firm value creation, particularly in emerging market contexts.

Managerial Implications

The findings provide several managerial and policy-related implications that are consistent with existing theoretical and empirical evidence. First, managers should exercise caution in assuming that higher sales growth automatically leads to greater firm value. Prior studies indicate that growth enhances value only when it is supported by effective governance mechanisms, financial discipline, and efficient capital allocation (Jensen & Meckling, 1976; Wu & Pan, 2021). In the absence of these conditions, expansion may reflect overinvestment or declining marginal profitability, ultimately undermining firm value rather than enhancing it. Accordingly, managers should focus not merely on expanding revenues but on ensuring that growth is economically sustainable and well governed.

Second, the results suggest that tax planning should be viewed as a strategic organizational capability rather than a short-term cost-minimization tool. This implication aligns with prior literature emphasizing that transparent and well-designed tax strategies can stabilize cash flows, enhance investor confidence, and signal managerial quality and long-term orientation (Gabrielli & Greco, 2023; Hanlon & Heitzman, 2010). Consistent with governance research, tax planning is most effective when integrated into a firm's long-term financial strategy and subject to oversight by top management and the board, thereby reducing the risk of opportunistic behavior and regulatory concerns.

Third, the findings highlight that sales growth and tax planning interact in complex and context-dependent ways. Existing empirical studies document that aggressive tax strategies, particularly when combined with rapid expansion, may heighten agency conflicts, increase regulatory scrutiny, and trigger negative market perceptions (McNichols & Stubben, 2008). The results, therefore, imply that value creation depends on balancing growth ambitions with responsible and transparent tax practices, ensuring that tax strategies support expansion without eroding credibility or governance quality.

Finally, the findings offer insights for policymakers and regulators. Consistent with prior research on corporate governance and institutional environments, regulatory frameworks that promote transparency, disclosure, and responsible tax behavior may encourage firms to pursue sustainable value creation rather than short-term earnings manipulation (Maher & Andersson, 2000; Schedelik et al., 2021). Overall, these implications reinforce existing evidence that managers should prioritize the quality of growth over its quantity and align growth strategies, tax governance, and transparency to support long-term firm value.

Conclusion

Framed within the value relevance literature and grounded in Agency Theory and the Resource-Based View, this study investigates the relationship between firm growth (FGR) and firm value (FV) by developing empirical models that explore the moderating effect of tax planning (TAX) and the influence of key firm-specific financial characteristics such as firm size and leverage. Using 1,840 firm-year observations from non-financial listed firms, we analyze whether, why, and under what conditions firm growth translates into market-based firm value, moving beyond the assumption that growth inherently increases value. This study contributes to the ongoing debate on whether “growth pays” by challenging the traditional view that sales expansion automatically enhances firm value. Building on prior research suggesting that the relationship between firm growth and value is often weak or ambiguous because growth may generate both future benefits and costs that offset each other (e.g., operational

risks, overinvestment, agency problems), our research aligns with the literature that conceptualizes the growth-value relationship as a complex and context-dependent phenomenon rather than a simple linear link. Therefore, instead of examining only the direct effect of growth on value, we seek to open the black box of this relationship by incorporating theoretically grounded conditional variables. In this regard, our study shifts the focus from asking whether growth affects firm value to understanding why (the underlying mechanisms) and when (the contextual conditions) this effect occurs. We theorize tax planning as a strategic capability (RBV) that can support or hinder the value creation potential of growth, while also recognizing, from an agency perspective, that aggressive or poorly governed tax strategies may amplify risk and reduce value. Thus, tax planning is modeled as a moderator that shapes the direction and magnitude of the growth–value relationship. From this perspective, our study extends prior research by employing moderated models that capture the dynamic interplay between firm growth, tax planning, and firm value. This approach enables the testing of more sophisticated hypotheses that go beyond the question “Does growth create value?” and instead address the more meaningful question: “Under what conditions does growth create (or destroy) value?” By showing that tax planning can both enhance firm value directly and alter the impact of growth, either strengthening or reversing its effect, our findings provide a more nuanced and realistic theoretical understanding of how value is created within firms.

Brief Summary

This study challenges the long-held belief that firm growth is the ultimate driver of firm value. The findings reveal a more nuanced reality: growth alone does not always guarantee value creation. When growth occurs without proper control or strategic alignment, it can lead to operational risks, overinvestment, or agency costs that offset its potential benefits. This dynamic becomes even more evident when tax planning is introduced as a strategic moderating variable. The results show that tax planning acts as a double-edged sword: it directly affects firm value and also shapes the growth - value relationship. When implemented in a transparent and well-governed manner, tax planning acts as a catalyst, helping firms convert growth into genuine economic value by enhancing financial flexibility and preserving cash flow. However, when tax planning is overly aggressive or poorly governed, it becomes a value destroyer. In such cases, even strong growth may be perceived by the market as risky or opportunistic, leading to a decline in firm value. Thus, tax planning can either amplify the benefits of growth or reverse them entirely. The key insight is clear: the quality of growth matters more than the quantity of growth. This quality is fundamentally shaped by tax strategy and corporate governance. Sustainable firm value depends not only on how much a firm grows, but on how growth is managed, financed, and governed.

Limitations and Directions of Future Research

Although this study provides strong and consistent empirical evidence, several limitations remain that offer avenues for future research. First, while the interaction effect between sales growth and strategic tax planning (H3) is statistically significant in the main model, the 10,000-sample bootstrapping analysis yields a confidence interval that marginally crosses zero. This finding suggests that the moderating effect may be context-dependent and sensitive to sample characteristics. Future studies may therefore employ larger datasets, longer time horizons, or cross-country samples to enhance statistical power and generalizability. In addition, advanced estimation techniques, such as panel quantile regression or Bayesian methods, could be used to capture heterogeneous moderation effects across different firm profiles.

Second, this study relies on an aggregate measure of tax planning, which may not fully distinguish between efficient strategic tax planning and aggressive, high-risk tax behavior. Although the measure is designed to reflect non-aggressive tax management, future research could adopt more granular proxies such as long-term effective tax rates, book–tax differences, or tax avoidance aggressiveness indices to better capture the quality and nature of tax strategies.

Third, the empirical framework assumes linear relationships among the key variables. However, the observed negative effect of sales growth under high levels of tax planning suggests the potential presence of non-linear dynamics or threshold effects. Future research could therefore apply non-linear modeling approaches, including spline regressions or machine learning techniques, to uncover more complex value-creation patterns that linear models may fail to detect.

Fourth, although Agency Theory provides the primary theoretical foundation, corporate governance mechanisms such as board effectiveness, ownership structure, and audit quality are not explicitly incorporated into the model. These governance factors may play a critical role in determining whether tax planning activities create or destroy firm value. Future studies should integrate governance variables to more fully capture the conditional and institutional context of tax planning outcomes.

Finally, firm value in this study is measured using Tobin's Q, which reflects long-term valuation based on market expectations and asset structure. While Tobin's Q is widely employed in the finance literature, it may not fully capture short-term market reactions. Due to data availability constraints, market-based measures such as share price were not included in the analysis. Future research may therefore incorporate alternative valuation proxies, including share price or stock returns, to examine whether the documented relationships hold from a capital market perspective and to further validate the robustness of the findings.

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