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# “Impact of Tax Avoidance on Investment Strategies of Pakistani Firms”



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# Impact of Tax Avoidance on Investment Strategies of Pakistani Firms

## Abstract

The purpose of this research is to deliver the knowledge with the understanding of tax avoidance practices and its significances in firms along with different model test to check the relations between the studied variables. For the purpose of data collection, I take non-financial companies which are listed at KMI 30 Index published by state bank of Pakistan. The data extracted from financial statements of these Islamic listed companies. The data covering 14 major sectors of Pakistani manufacturing firms. The research study take data into consideration from a period of 2010 to 2015 for analyzing the hypothesized relationship. The estimation period shows an outstanding quality during this period the Pakistani manufacturing firms were well capitalized. Improved form of Fezzari et. Al (1998) investment equation modified by Chen and Lai (2012) is uses for calculation of investments. Tax avoidance is estimated by utilizing GETR. All equations are measured through panel data regression model using fixed effect model common effect model or random effect model. The historical evidence shows that the tax avoidance behaviors of the firms lead them towards investments. The study would help the top management and decision makers in strategy formulation and implementation related to tax avoidance and investment decisions in firms In order to remove their financial constraints. In order to optimize firm's investment decisions for value maximization provide them with growth opportunities.

**Keywords:** Tax Avoidance, Cash Flows, Investment Size, Financial Constraints.

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