Advanced International Journal of Business, Entrepreneurship and SME's
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325



ADVANCED INTERNATIONAL JOURNAL OF BUSINESS, ENTREPRENEURSHIP AND SMES (AIJBES)
www.gaexcellence.com/aijbes

TAX AVOIDANCE, ROA AND ROE AS DETERMINANTS OF FIRM VALUE: A STUDY OF MALAYSIAN TELECOMMUNICATION FIRMS

Raysha Devita Sari[1], Nurul Azirah Mohd Wazir[2*]

[1]Moore Global (Mirawati Sensi Idris, Jakarta, Indonesia)
rdevita@moore.com.id https://orcid.org/0009-0000-4970-0639
[2]Faculty of Business Management and Professional Studies, Management and Science University, Malaysia
nurul_azirah@msu.edu.my https://orcid.org/0000-0003-4612-5581
[*]Corresponding Author

Article Info:

Article history:
Received date: 16.07.2026
Revised date: 28.07.2026
Accepted date: 17.08.2026
Published date: 17.09.2026

To cite this document:

Sari, R. D., & Wazir, N. A. M. (2026). Tax Avoidance, ROA and ROE as Determinants of Firm Value: A Study of Malaysian Telecommunication Firms. *Advanced International Journal of Business Entrepreneurship and SMEs, 8* (29), 1305-1325.

DOI: 10.35631/AIJBES.829074

Abstract:

This study investigates the relationship between tax avoidance, return on assets (ROA), return on equity (ROE) and firm value among Malaysian telecommunication service providers. Using panel data from the top 10 publicly listed firms in the sector for the period 2013 to 2022, the analysis employs descriptive statistics, correlation tests, and multiple linear regression techniques. The findings reveal that tax avoidance exhibited a negative but statistically insignificant relationship with firm value, whereas ROE demonstrated a positive and statistically significant relationship with firm value. These results imply that Malaysian telecommunication firms may enhance firm value by strengthening equity-based returns. The study offers practical implications for policymakers in designing more effective tax frameworks and for corporate leaders and investors seeking data driven strategic and investment decisions. Furthermore, the findings contribute to the achievement of Sustainable Development Goal (SDG) 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation and Infrastructure) by promoting sustainable corporate performance, responsible financial management and transparent governance practices within the telecommunications sector.

Keywords:

Firm Value, Return on Assets (ROA), Return on Equity (ROE), Tax Avoidance

© The authors (2026). This is an Open Access article distributed under the terms of the Creative

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

Commons Attribution (CC BY NC) (http://creativecommons.org/licenses/by-nc/4.0/), which permits non-commercial re-use, distribution, and reproduction in any medium, provided the original work is properly cited. For commercial re-use, please contact aijbes@gaexcllence.com.

Introduction

This study examines the relationship between tax avoidance, return on assets (ROA), return on equity (ROE), and firm value among Malaysian telecommunication firms. The study discusses the research background, problem statement, objectives, and significance of the investigation.

Background of Study

In the era of rapid digital industrialization, businesses are increasingly compelled to enhance their competitiveness to sustain long-term growth. While profitability remains a fundamental objective, the goal of firms is to maximize firm value which reflects overall business performance and long-term sustainability. Firm value is particularly critical for stakeholders, especially investors as it signals prospects and organizational stability. It is commonly measured using Tobin's Q, a ratio that compares a firm's market value with the replacement cost of its assets. A higher Tobin's Q indicates superior firm performance and growth potential, making it a widely accepted benchmark in contemporary financial analysis. Recent literature reaffirms the continued relevance of Tobin's Q as a robust measure of firm value, particularly across emerging markets where market-based indicators remain essential for evaluating corporate performance (Tharavanij, 2024; Syahrani, 2025).

This study focuses on internal or fundamental factors within managerial control that can enhance firm value. Among these, tax avoidance has become increasingly prominent, particularly in large corporations. With advancements in digital systems and financial technologies, firms are now able to adopt more sophisticated tax planning strategies that legally reduce tax liabilities through structured deductions, exemptions and regulatory optimization. Recent empirical evidence highlights that tax avoidance practices remain widespread across Southeast Asia and continue to influence firm-level financial decision-making and governance structures in the post-pandemic period (Pratama and Kamaruzzaman, 2025). While tax avoidance may improve after-tax cash flows and potentially enhance firm value, it also introduces agency risks, as complex tax arrangements may obscure transparency and facilitate opportunistic managerial behavior.

Recent studies further indicate that tax avoidance can have mixed implications for firm value. On one hand, reduced tax burdens may increase available resources for reinvestment and shareholder returns. On the other hand, excessive or opaque tax strategies may elevate firm risk, reduce transparency and negatively affect investor confidence. For instance, recent evidence suggests that in some contexts, aggressive tax avoidance is associated with increased financial risk and may ultimately reduce firm value in the long term (Lv et al., 2025).

This dual perspective suggests that the relationship between tax avoidance and firm value remains complex and context-dependent, particularly in emerging economies such as Malaysia. In addition to tax avoidance, profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE) play a critical role in determining firm value. These metrics provide insights into a firm's efficiency in generating returns from its assets and shareholders' equity,

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

respectively. Higher profitability is generally associated with improved market valuation, as it signals strong financial performance and growth potential. Contemporary research continues to confirm the importance of profitability ratios in influencing firm outcomes, with recent studies highlighting that financial performance indicators remain key determinants of firm value across ASEAN markets (Saragih, Suyanto and Pratama, 2025).

Against this backdrop, the present study examines the effect of tax avoidance, ROA, and ROE on firm value among Malaysian telecommunication service providers. The Malaysian telecommunications sector is currently facing structural and financial pressures, including rising capital expenditure requirements and declining returns on investment, which have intensified investor scrutiny and influenced firm valuation. Although prior studies have examined the relationship between tax avoidance, profitability, and firm value, empirical evidence in developing markets such as Malaysia remains relatively limited. Recent regional studies further emphasize the need for updated empirical investigations, particularly in light of evolving regulatory frameworks, corporate governance practices, and tax compliance dynamics within Southeast Asia (Pratama and Kamaruzzaman, 2025).

By addressing this gap, the present study contributes to the growing body of literature on firm value determinants in emerging markets while providing current and policy-relevant insights for investors, regulators, and corporate managers in Malaysia.

Problem Statement

In an increasingly competitive digital era, businesses are expected to continuously improve their performance to sustain growth and enhance firm value. Ideally, firms should possess strong awareness of how to measure and manage their firm value effectively, as firm value reflects long-term sustainability and market confidence. Investors commonly rely on accurate indicators of firm performance to make informed decisions; thus, firms are expected to adopt transparent, ethical, and efficient financial strategies that safeguard and strengthen their value. However, many companies still lack awareness and strategic emphasis on measuring and managing their firm value optimally. One major area of concern is the growing reliance on aggressive tax planning strategies, where firms exploit gaps in tax regulations. Although tax planning is necessary and can legally minimize tax burdens, recent studies highlight that tax avoidance has become increasingly complex and widespread in Malaysia and Southeast Asia, raising concerns about transparency and regulatory compliance (Adnan, Abdullah and Noor, 2025).

The lack of clarity regarding the impact of tax avoidance creates uncertainty for managers and investors. On the one hand, some firms perceive tax avoidance as a legitimate tool to increase after-tax profits and potentially strengthen firm value. Empirical evidence suggests that tax avoidance may enhance firm value in certain contexts by improving liquidity and financial flexibility (Walah et al., 2023). On the other hand, overly aggressive practices may increase agency problems, reduce transparency, and harm long-term performance. Recent findings also indicate that tax avoidance may not significantly influence firm value or may even be negatively perceived by investors due to associated risks and regulatory scrutiny (Yuliani, 2024; Du and Li, 2024).

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

These risks are more pronounced in highly regulated and capital-intensive sectors such as telecommunications, where firms face rising capital costs and pressure to improve investor confidence. Moreover, sector-specific evidence from Malaysia indicates that profitability plays an important role in shaping tax-related decisions and financial outcomes, particularly within the telecommunications industry (Saleem, 2024).

Although tax avoidance, ROA, and ROE have been widely studied in developed economies, empirical evidence in developing markets such as Malaysia remains limited, especially within the telecommunication sector. Recent Malaysian studies emphasize that tax avoidance behavior has evolved significantly due to changes in governance, regulation, and market conditions, requiring updated empirical validation (Adnan et al., 2025). In addition, while ROA and ROE are established financial performance indicators, their relationship with firm value continues to be debated, particularly in emerging markets where profitability dynamics differ from developed economies. This creates a clear gap in understanding how tax avoidance and financial performance jointly influence firm value in the Malaysian telecommunications industry (Saragih, Suyanto and Pratama, 2025).

In response to these issues, this study aims to examine the effects of tax avoidance, return on assets (ROA), and return on equity (ROE) on firm value among Malaysian telecommunication service providers. By addressing inconsistencies in prior findings, this study offers valuable insights to corporate managers, investors, policymakers, and academics concerned with firm value determinants in emerging markets.

Research Objectives

This study aims to examine whether tax avoidance activities, return on assets (ROA) and return on equity (ROE) influence firm value among Malaysian telecommunication service provider companies, aligned with agency theory as the underpinning theoretical framework. The study seeks to contribute meaningfully to the existing body of knowledge on tax avoidance and financial performance indicators, while providing valuable insights to policymakers, corporate decisionmakers and investors operating within this industry. The study also offers an updated understanding of how these internal financial factors affect firm value within a particular industry, geographical region and time period.

Furthermore, this research expands prior work by focusing on the relationship between tax avoidance, ROA, ROE and firm value within the unique context of a developing nation such as Malaysia. As telecommunication companies continue to play an increasingly critical role in the digital economy, their financial strategies and tax-related decisions have become more significant. Recognizing the evolving nature of business operations in the digital age, this study aims to understand how these changes interact with firms operating in developing economies and how they influence firm value.

This study also seeks to bridge the gap between theoretical understanding and real-world practice, addressing inconsistencies found in previous research regarding the effects of tax avoidance, ROA and ROE on firm value. By examining financial performance and tax avoidance behavior within Malaysian telecommunication service providers, the research aims to provide practical guidance for business leaders, government policymakers involved in tax regulation and investors evaluating strategic investment opportunities. Finally, this study strives to deliver a comprehensive understanding of the complex interplay between tax

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325
avoidance, profitability indicators and firm value, taking into account the specific challenges faced by developing nations and the evolving demands of the digital era.

Significance Of Study

This study contributes to the Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation and Infrastructure). By examining the effects of tax avoidance and profitability on firm value, the study provides insights into sustainable corporate performance, efficient resource utilisation and responsible governance practices. The findings may assist policymakers, investors and corporate managers in promoting long-term economic sustainability and transparency within the Malaysian telecommunications industry.

Furthermore, this study also contributes to the body of knowledge on tax avoidance and financial performance in developing countries. The results of this study can assist businesses in understanding the drawbacks of aggressive tax planning and assist in informing tax strategy decisions, as well as financial decisions of the company. The study's overall conclusions have outcomes for both academia and industry, offering managers, investors and policy-makers insightful information about how tax avoidance and financial performances affect firm value and how to lessen its detrimental effects.

Literature Review

This section reviews the relevant literature on firm value, tax avoidance, return on assets (ROA), and return on equity (ROE), as well as the underpinning theory and hypothesis development.

Firm Value

Firm value is commonly conceptualized as the market valuation of a firm, reflecting investors' expectations regarding its future performance and sustainability. It incorporates not only the market value of equity but also financial obligations, thereby providing a comprehensive measure of a firm's total worth. In modern financial research, firm value is frequently proxied by indicators such as Tobin's Q, which captures both market perceptions and asset-based valuation. Recent literature confirms that firm value remains a critical metric for evaluating corporate performance, particularly in emerging markets where market-based measures are essential for assessing growth potential and investment attractiveness (Tharavanij, 2024; Syahrani, 2025).

Firm value reflects the overall financial health of a company, incorporating its assets, expected future cash flows, and profitability performance. It plays a central role in financial decision-making, including investment analysis, merger and acquisition (M&A) activities, and corporate strategy formulation. A higher firm value typically signals stronger financial stability and greater investor confidence. As such, maximizing firm value remains a primary objective of profit-oriented organizations, particularly in highly competitive and dynamic business environments.

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

Tax Avoidance

Tax avoidance remains an important corporate strategy that may influence firm performance and value. Recent evidence from Malaysian listed companies suggests that financial attributes and corporate governance mechanisms play a significant role in shaping tax avoidance behaviour (Abubakar et al., 2025). Tax avoidance refers to legal strategies employed by firms to reduce tax liabilities through the exploitation of regulatory gaps and financial structuring. Recent studies highlight that tax avoidance practices have become increasingly complex due to advancements in financial systems and regulatory environments, particularly in emerging economies such as Malaysia (Adnan, Abdullah and Noor, 2025).

From a value-enhancing perspective, tax avoidance may increase firm value by improving after-tax cash flows, thereby providing firms with additional resources for reinvestment and shareholder returns. Empirical evidence in ASEAN contexts indicates that tax avoidance can contribute positively to firm value through increased liquidity and improved financial flexibility (Walah et al., 2023).

However, from an agency theory perspective, tax avoidance may also generate adverse consequences. The complexity of tax strategies can reduce financial transparency and create opportunities for managerial opportunism, potentially increasing agency costs. Recent studies suggest that tax avoidance does not consistently enhance firm value and may even have a neutral or negative impact, particularly when associated with higher regulatory risk and reputational concerns (Yuliani, 2024; Du and Li, 2024).

Furthermore, evolving regulatory frameworks and governance mechanisms in Malaysia have intensified scrutiny on corporate tax practices, highlighting the need for responsible tax behavior and stronger compliance mechanisms. Given these contradictory findings, the relationship between tax avoidance and firm value remains inconclusive and warrants further empirical investigation, particularly within sector-specific contexts such as telecommunications.

H1: Tax avoidance is significantly associated with firm value.

Return on Assets (ROA)

Return on Assets (ROA) is a key financial performance indicator that measures a firm's ability to generate profits from its total assets. A higher ROA reflects efficient utilization of resources and strong operational performance, which are essential for enhancing firm value. In financial analysis, ROA is widely used by investors and analysts to assess managerial efficiency and organizational performance.

Recent empirical studies confirm that ROA continues to be a significant determinant of firm value, particularly in emerging markets where profitability plays a crucial role in investment decision-making. Evidence from ASEAN countries indicates that firms with higher ROA tend to achieve better market valuation due to improved financial performance and investor confidence (Saragih, Suyanto and Pratama, 2025).

Additionally, profitability indicators such as ROA have been shown to influence corporate financial strategies, including tax planning and capital structure decisions, which may indirectly impact firm value. Sector-specific research in Malaysia also highlights that

profitability significantly affects corporate financial behavior, particularly in capital-intensive industries such as telecommunications (Saleem, 2024).
H2: Return on assets is significantly associated with firm value.

Return on Equity (ROE)

Return on Equity (ROE) is a financial ratio that measures a firm's ability to generate returns for its shareholders. Profitability remains an important determinant of corporate performance and market valuation, as firms with stronger financial performance are generally better positioned to enhance shareholder value (Ahmad & Md-Rus, 2021).

A higher ROE generally signals strong financial performance and is expected to enhance firm value by increasing investor confidence and market valuation. However, empirical findings on the relationship between ROE and firm value remain mixed. While some studies suggest a positive and significant relationship, others report that ROE may not always influence firm value due to the presence of external factors such as market conditions, firm risk, and governance structures (Yuliani, 2024).

These inconsistencies are particularly evident in emerging markets, where institutional environments, financial systems, and investor behavior differ from those in developed economies. Therefore, further investigation is required to determine the extent to which ROE influences firm value in specific contexts, such as the Malaysian telecommunications sector.
H3: Return on equity is significantly associated with firm value.

Underpinning Theory

Agency theory provides a theoretical framework for comprehending managerial behavior in corporate financial reporting and tax planning practices. It is especially relevant in situations where managers are granted discretionary authority to make tax-related decisions on behalf of shareholders. In such contexts, the complexity of tax avoidance strategies may allow managers to pursue self-serving benefits while limiting effective monitoring by internal and external stakeholders. Recent studies highlight that tax avoidance behavior is closely associated with agency conflicts, as managers may exploit tax planning opportunities to maximize personal benefits rather than shareholder value (Wongsinhirun et al., 2023).

Agency theory indicates that the separation between ownership and control can lead to conflicts of interest between shareholders (principals) and managers (agents), particularly in relation to financial performance and firm value. Managers, acting as agents, may not always act in the best interests of shareholders but may instead prioritize their own objectives. This divergence is particularly evident in tax-related decisions, where managers may engage in complex tax avoidance practices that increase information asymmetry and reduce transparency (Luo et al., 2023).

Furthermore, tax avoidance decisions are recognized as important managerial choices influenced by firm characteristics and governance mechanisms. Literature suggests that managers adopt tax avoidance strategies to improve after-tax profits and meet shareholder expectations; however, these actions may also introduce risks and reduce firm transparency if not properly governed (Duhoon and Singh, 2023).

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

Agency theory also posits that aligning managerial incentives with shareholder interests is essential to minimize conflicts and enhance firm value. Effective corporate governance mechanisms such as board independence, audit quality, and ownership structure play a significant role in controlling opportunistic behavior and reducing excessive tax avoidance practices. Recent evidence confirms that strong governance structures can mitigate agency problems and improve the transparency of corporate tax practices, thereby enhancing firm value (Putri et al., 2025; Malik et al., 2025).

Overall, agency theory provides a useful framework for understanding the principal–agent relationship and how managerial decisions particularly in tax planning can influence financial performance and firm value. It highlights the importance of governance, transparency, and incentive alignment in ensuring that managerial actions contribute positively to shareholder wealth.

Conceptual Framework

This study investigates the potential effects of tax avoidance, ROA, and ROE on firm value among Malaysian telecommunication service provider companies. With a focus on the company as a unit analysis, it is using secondary data and a quantitative research methodology. This study aims to provide a comprehensive understanding of how a company's strategic tax planning and avoidance activities and financial performances may have repercussions on its overall value in the company. Firm value, a critical metric in the realm of corporate finance, encapsulates the aggregate worth of a company, reflecting its financial health, market position, and investor sentiment. It is a fundamental gauge of a company's success and resilience in the ever-evolving economic landscape.

To conduct this investigation, the research relies on secondary data, which entails the analysis of pre-existing datasets and information collected from various reliable sources. This approach allows for a systematic examination of a broad spectrum of companies, potentially spanning various industries and geographical regions, which can provide a more holistic perspective on the relationship between tax avoidance, return on assets and return on equity on firm value. The following is the framework shown in figure 1:

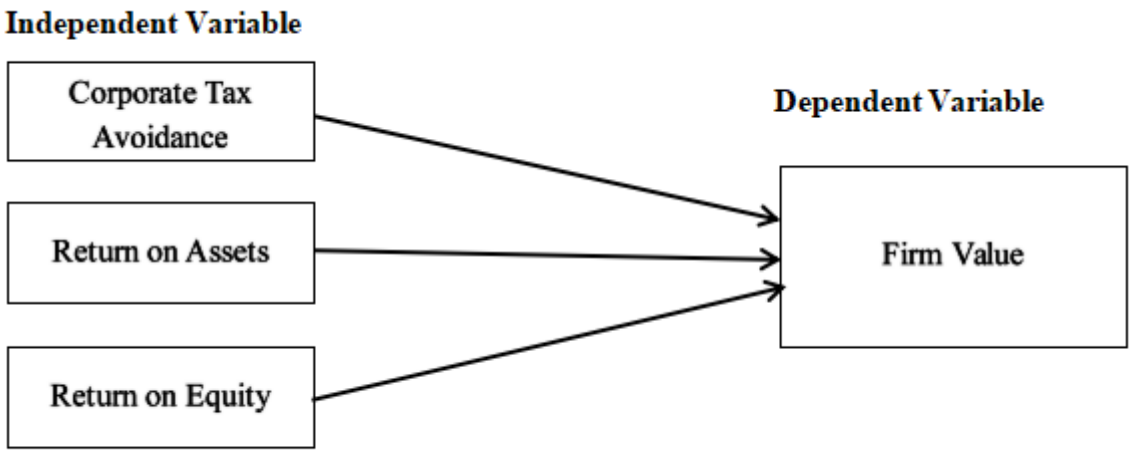


Figure 1: Conceptual Framework

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

Hypothesis Development

H_1: Tax avoidance is significantly associated with the firm value of Malaysian telecommunications services provider companies.
H_2: Return on assets is significantly associated with the firm value of Malaysian telecommunications services provider companies.
H_3: Return on equity is significantly associated with the firm value of Malaysian telecommunications services provider companies.

Corporate tax avoidance, return on assets (ROA), and return on equity (ROE) are the independent variables. The inclusion of these variables takes into consideration their possible impact on the firm value. Relative to total assets, a company's profitability is measured by ROA, whereas relative to shareholders' equity, it is measured by ROE. Firm value remains the Dependent Variable which represents the total worth of Malaysian telecommunications services provider companies. The hypothesis implies that corporate tax avoidance, return on assets (ROA), and return on equity (ROE) may have a major effect on firm value. After taking these variables into account, it is possible to investigate whether corporate tax avoidance, return of assets (ROA), and return of equity (ROE) have a positive or negative impact on firm value. The hypothesis remains specific to Malaysian telecommunications services provider companies, as the geographical focus. To test this hypothesis, this research will use statistical methods, such as regression analysis, to determine whether corporate tax avoidance, return of assets (ROA), and return of equity (ROE) have a significant relation to firm value in Malaysian telecommunications services provider companies. This hypothesis acknowledges and accounts for other factors that may affect firm value, allowing for a more comprehensive analysis of the relationship between corporate tax avoidance, return of assets (ROA), and return of equity (ROE) on firm value in Malaysian telecommunications services provider companies.

Research Design

This study adopts a quantitative research approach. The study analyzes the proportion of tax liability relative to accounting earnings, alongside ROA and ROE, in assessing their effects on firm value. Firm value is measured using Tobin's Q, which is widely recognized as a comprehensive proxy that captures both market-based and asset-based valuation of a firm (Tharavanij, 2024).

This study utilizes secondary data collected from the annual reports of publicly listed telecommunication service providers in Malaysia. The data covers a ten-year period from 2013 to 2022, allowing for a longitudinal analysis of firm performance and financial behavior. The use of panel data enhances the robustness of empirical findings by capturing both cross-sectional and time-series variations in the data (Hair et al., 2022).

Following the data measurement process, the analysis phase is conducted using quantitative statistical techniques. Data analysis is performed using Statistical Package for the Social Sciences (SPSS) version 26, which is commonly applied in empirical accounting and finance research for data processing and hypothesis testing (Pallant, 2023). This study employs descriptive statistics, correlation analysis, and multiple linear regression analysis to examine the relationships between variables.

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

Prior to statistical analysis, a logarithmic transformation was applied to ROA and ROE to reduce skewness and improve the normality of the data distribution. However, observations with negative ROA and ROE values could not be transformed using the logarithmic function and were therefore excluded from the analysis. While logarithmic transformation is commonly employed in accounting and finance research, the exclusion of loss-making observations may limit the representation of firms experiencing negative profitability. This limitation is acknowledged when interpreting the findings.

Descriptive statistical analysis is used to summarize the characteristics of the variables and to provide an overview of the dataset. It includes measures such as minimum, maximum, mean, and standard deviation, which help in understanding the distribution and central tendencies of the data (Hair et al., 2022).

Correlation analysis is conducted to examine the relationships between two or more independent variables (tax avoidance, ROA, and ROE) and the dependent variable (firm value). This analysis helps to identify the strength and direction of associations between variables, providing preliminary insights before regression analysis (Pallant, 2023).
To test the effects of tax avoidance (X1), ROA (X2), and ROE (X3) on firm value (Y), this study employs multiple linear regression analysis. Multiple regression is widely used in accounting and finance research to analyze the relationship between several independent variables and a dependent variable simultaneously, thereby allowing for a more comprehensive understanding of causal relationships (Gujarati and Porter, 2021).

The study employed pooled Ordinary Least Squares (OLS) regression to examine the relationship between tax avoidance, return on assets (ROA), return on equity (ROE) and firm value. The objective was to assess the overall association among the variables across all firm year observations. Although the data set consists of repeated observations of firms over the period 2013 to 2022, pooled OLS was selected as the primary estimation technique for this study. Nevertheless, it is acknowledged that panel data may contain firm specific and time specific effects that are not fully captured by pooled OLS. Therefore, future studies may consider applying fixed effects models, random effects models, clustered standard errors, or other panel data estimation techniques to account for unobserved heterogeneity and enhance the robustness of the findings.

Population and Sample

This study uses secondary data obtained from publicly listed companies in Malaysia. The population of this study consists of telecommunication service provider companies listed on Bursa Malaysia. Based on current information, there are approximately 12 telecommunication companies operating within this sector.

For the purpose of sampling, this study selects the top 10 Malaysian telecommunication service provider companies over the period from 2013 to 2022. The selection of the top 10 companies is based on market capitalization, which is commonly used as a criterion in financial research to identify firms with significant market influence and investor interest (Berk and DeMarzo, 2022). The list of companies was obtained from malaysiastock.biz in December 2023.

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

Table 1: Top 10 Malaysian Telecommunication Service

No.	Firm Name
1	Telekom Malaysia Berhad
2	Maxis Berhad
3	CelcomDigi Berhad
4	Time dotCom Berhad
5	Axiata Group Berhad
6	Redtone Digital Berhad
7	OCK Group Berhad
8	XOX Berhad
9	Omesti Berhad
10	Mesiniaga Berhad

The use of purposive sampling in selecting firms based on market capitalization is appropriate in financial and accounting research, as it allows researchers to focus on firms that are most relevant to the research objective and ensures the availability and reliability of financial data (Sekaran and Bougie, 2021). Firms were included in the study if they: (i) were listed on Bursa Malaysia during the study period (2013–2022); (ii) operated within the telecommunications and related communication services sector; (iii) had complete annual reports and financial information available throughout the observation period; and (iv) provided sufficient data to compute all study variables. Firms with incomplete financial information, missing annual reports, or insufficient data for variable measurement were excluded from the sample.

Measurement of Variables

The secondary data used in this study were obtained from publicly listed telecommunication service provider companies in Malaysia. The data were collected from annual reports covering the period from 2013 to 2022. Specifically, the required information was extracted from the financial statements section, including the overview of financial results, statements of comprehensive income, and statements of financial position. The use of annual reports as a data source is widely accepted in accounting and finance research due to their reliability, transparency, and standardized disclosure requirements (Berk and DeMarzo, 2022; Sekaran and Bougie, 2021).

In research, measuring variables is a systematic process of assigning numerical values to observed phenomena or abstract concepts. This process enables the collection of quantitative data, which is essential for statistical analysis, comparison, and hypothesis testing. Proper measurement of variables ensures that empirical conclusions derived from the study are both valid and reliable (Hair et al., 2022).

Measurement of Firm Value

In this study, Tobin's Q is used as a proxy for firm value, as it is widely recognized in recent literature as a comprehensive measure that captures both market valuation and asset-based performance of a firm (Tharavanij, 2024; Syahrani, 2025). Recent Malaysian evidence suggests that firm performance measured using ROA and Tobin's Q is influenced by corporate

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

governance characteristics, highlighting the importance of financial and managerial factors in determining corporate value and sustainability (Roslan et al., 2025).

The following calculation will be used in this study as a stand-in for the company's valuation:

$$\textit{Tobin's Q} = \frac{\textit{book value of total debt + market value of common equity}}{\textit{book value of total assets}}$$

This ratio reflects investors' expectations of the company's future performance. A higher Tobin's Q indicates that investors are willing to value the firm above its book value, suggesting strong growth prospects and positive market perception (Tharavanij, 2024; Syahrani, 2025).

Measurement of Corporate Tax Avoidance

Due to the confidential nature of firms' tax returns, direct measurement of corporate tax payments is generally not accessible to the public. As a result, prior research recommends the use of empirical proxies based on publicly available financial information to estimate tax-related behavior. Recent studies confirm that financial statement-based proxies remain the most appropriate approach for measuring tax avoidance activities due to their availability and comparability across firms (Duhoon and Singh, 2023; Aristiyaningrum and Falikhatun, 2024).

In this study, tax avoidance is measured using the Effective Tax Rate (ETR), which represents the proportion of tax expense relative to accounting earnings. The ETR is widely used in contemporary tax research as a reliable proxy for corporate tax avoidance, particularly in emerging markets and ASEAN contexts (Adnan, Abdullah, and Noor, 2025; Pratama and Kamaruzzaman, 2025).

There are several variations of the ETR, including accounting ETR, current ETR, and long-term cash ETR, each offering distinct advantages and limitations depending on the research objective. In this study, the current ETR is utilized, which is calculated by dividing the current year's tax expense by accounting income before tax. The current ETR is preferred because it captures firms' short-term tax planning and reflects the impact of current-period tax strategies more accurately than aggregate measures (Duhoon and Singh, 2023).

Moreover, the use of current ETR enables the identification of firms' tax deferral strategies, as it focuses on current tax expenses rather than cumulative tax obligations. Following prior empirical studies, tax avoidance in this research is calculated as one minus the current ETR, where a higher value indicates a greater level of tax avoidance. This approach is widely adopted in recent tax avoidance literature as it provides a more intuitive interpretation of firms' tax-minimizing behavior (Aristiyaningrum and Falikhatun, 2024)

Measurement of ROA

Return on Assets (ROA) is a key indicator of financial performance and is included as one of the independent variables in this study. Previous research has identified profitability measures such as ROA as important determinants of firm value, as they reflect the firm's ability to generate returns from its resources (Saragih, Suyanto, and Pratama, 2025).

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

ROA measures the efficiency of management in utilizing a company's assets to generate earnings. A higher ROA indicates that the firm is effectively using its resources to produce profits, which in turn enhances investor confidence and contributes positively to firm value. Recent empirical studies in emerging markets further confirm that firms with higher profitability tend to achieve stronger financial performance and higher market valuation (Yuliani, 2024).

The ROA is calculated by dividing net income by the total assets of a company, making it a widely accepted financial ratio for assessing managerial efficiency and operational performance.

Measurement of ROE

Return on Equity (ROE) is an important financial ratio that receives significant attention from investors, as it reflects how effectively a company's management utilizes shareholders' equity to generate profits. It is considered a reliable indicator of managerial efficiency and the firm's ability to create value for its shareholders. Recent studies highlight that profitability measures such as ROE play a crucial role in influencing investor perception and firm valuation, particularly in emerging markets (Yuliani, 2024).

ROE is calculated by dividing net income by shareholders' equity, making it a widely used indicator in financial analysis to evaluate the firm's financial performance from the shareholders' perspective. A higher ROE generally indicates better performance and efficient use of equity capital, which can enhance investor confidence and contribute positively to firm value. Recent empirical research further suggests that although ROE is an important determinant of firm performance, its relationship with firm value may vary depending on firm-specific and market conditions in different economic environments (Malik et al., 2025)

Table 1: Operationalization and source of Information

Variables	Definition	Measurement	Sources	Past Study
Q	Tobin's Q	(MV of Ordinary Shares + total borrowing) / total assets	Annual report for financial year ending 2013 - 2022 (AR 2013 - 2022)	Tharavanij (2024); Syahrani (2025)
TA	Tax Avoidance	1 – [current year tax expense / the accounting income before tax]	AR 2013 - 2022	Adnan et al. (2025); Pratama and Kamaruzzaman (2025); Duhoon and Singh (2023)
ROA	Return of Assets	Net income / total assets	AR 2013 - 2022	Saragih et al. (2025); Saleem (2024)

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

ROE	Return of Equity	Net income / shareholders' equity	AR 2013 – 2022	Yuliani (2024); Malik et al. (2025)

Model Design

This study's regression models are built upon a common valuation model found in accounting literature. With this model, we try to address the question of whether, in the agency framework, corporate tax avoidance behavior, ROA, and ROE will increase or decrease the firm value.

$FV=\beta 0+\beta 1TA+\beta 2ROA+\beta 3ROE+\varepsilon$

Where:

- FV = Firm Value
- TA = Tax Avoidance
- ROA = Return on Assets
- ROE = Return on Equity
- β_0 = Constant
- β_1–β_3 = Regression coefficients
- ε = Error term

Descriptive Result

Table 2 contains descriptive statistics relating to the independent and dependent variables for the Top 10 of Malaysian Telecommunication Services Provider Companies, in 10 years (from 2013 – 2022). Therefore, the samples used in this study are 100 data of companies. Yet, the detected valid N for LROA and LROE it's only 97/100. It happened because 3 data of LROA & LROE are negative. It resulted in a negative because the net income is negative. It indicates that the performance of the company experienced a loss in net income. That is why when the data turned into a log version, 3 of them that had negative LROA & LROE, could not show any result in the SPSS.

These descriptive statistics provide insight into the distributions and central tendencies of the four variables, aiding in understanding their respective performance metrics. The variables are Tax Avoidance, ROA, and ROE as the independent variable. The tobins are a representation of the firm value as the dependent variable. In the data processing, the amount was converted to the log model. The goal of the log transformation is to possibly reduce or remove the skewness of the original data.

LTOBINS represents the firm value, with a mean of -0.0864. The data ranges from -1.62 to 2.43, indicating a wider spread compared to LTAX. The median value is -0.1528, suggesting a slight negative skewness in the distribution of operating income. The standard deviation is 0.83885, indicating the data are spread out from the mean, with a moderate level of variability. LTAX represents tax avoidance, with a mean of -0.1740. The data ranges from -1.36 to 0.34. The median value is -0.1423, indicating that the data might be slightly negatively skewed. The standard deviation is 0.19106, indicating that the data is clustered closely around the mean, showing low variability.

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

LROA represents the return on assets, with a mean of -2.8752. The data range from -6.71 to -0.75, indicating variability in the returns across the observations. The median value is -2.7870, suggesting that the data might be slightly skewed towards lower returns. The standard deviation is 1.00240, indicating that the data are spread out from the mean, indicating a moderate level of variability.

LROE represents the return on equity, with a mean of -2.0587. The data ranges from -4.93 to 1.20, indicating a wider spread compared to LROA. The median value is -2.1804, suggesting a slight negative skewness in the distribution of returns. The standard deviation is 1.28625, indicating the data are more widely spread out from the mean, indicating a higher level of variability compared to the other variables.

Table 2: Descriptive Analysis

	N	Minimum	Maximum	Mean	Median	Std. Deviation
LTOBINS	100	-1.62	2.43	-0.0864	-0.1528	0.83885
LTAX	100	-1.36	0.34	-0.1740	-0.1423	0.19106
LROA	97	-6.71	-0.75	-2.8752	-2.7870	1.00240
LROE	97	-4.93	1.20	-2.0587	-2.1804	1.28625
Valid N (listwise)	97					

Correlation

Table 3 shows the results of the Pearson Correlation test. LTAX has a negative relationship on LTOBINS, in the context of Malaysian Telecommunication Services Provider Companies, for 10 years (from 2013 – 2022). The correlation coefficient of ($r = -0.047$, $p<0.01$). indicates a weak negative relationship between tax avoidance and firm value. This means that as tax avoidance increases, firm value tends to decrease.

The results also indicate that LROA and LROE have a significant positive relationship on LTOBINS. ROA has a moderate positive relationship on the Firm Value ($r = 0.428$, $p<0.01$). It indicates that as the ROA increases, firm value tends to increase as well. ROE has a strong positive relationship on the Firm Value ($r = 0.635$, $p<0.01$), indicating higher return on equity tends to be associated with higher firm value as well.

A negative relationship on the firm value has been found in the tax avoidance variable. A positive relationship on the firm value has been found between ROA and ROE, both of them indicate a good company's financial health. The relationship of ROE on the firm value is slightly stronger than the relationship of ROA on the firm value.

Table 3: Correlation Analysis

	LTOBINS	LTAX	LROA	LROE
LTOBINS	1			
LTAX	-0.047	1		

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

LROA	.428**	0.075	1	
LROE	.635**	0.086	.865**	1

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis indicates a relatively high positive correlation between ROA and ROE (r = 0.865). This suggests that both profitability measures may capture similar aspects of firm performance. High correlations among independent variables may contribute to multicollinearity issues, which can affect coefficient stability and occasionally lead to unexpected coefficient signs in regression analysis. Therefore, the negative coefficient observed for ROA in the regression model should be interpreted with caution. Due to the unavailability of the original dataset during the revision process, additional diagnostic analyses such as Variance Inflation Factor (VIF) testing could not be performed. Future studies are encouraged to conduct further multicollinearity diagnostics and explore alternative model specifications where appropriate.

Multiple Regression Analysis

Table 4 presented the results of multiple regression tests on the effect of Tax avoidance, ROA, and ROE on the firm value in the context of Malaysian Telecommunication Services Provider Companies, in 10 years (from 2013 – 2022). The adjusted $R^2 = 0.4580$, indicating that with the 3 independent variables, it is explained 45.8% of the firm value. This means that the model has a weak explanatory power, as it captures not up to half of the factors influencing firm value.

Although the correlation analysis indicates a positive association between ROA and firm value, the regression analysis produced a negative coefficient for ROA. One possible explanation is the relatively high correlation between ROA and ROE (r = 0.865), suggesting that both variables capture similar aspects of firm profitability. When highly correlated variables are entered simultaneously into a regression model, coefficient estimates may become unstable and occasionally exhibit unexpected signs. Therefore, the negative coefficient reported for ROA should be interpreted with caution. Despite the negative coefficient, the result does not necessarily imply that higher profitability reduces firm value but may reflect the overlapping explanatory power of ROA and ROE within the regression model.

Table 4: Multiple Regression Analysis

		Unstandardized Coefficients		**Standardized Coefficients**		
Model	**Column1**	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	0.084	0.231		0.363	0.718
	LTAX	-0.549	0.350	-0.118	-1.570	**0.120**
	LROA	-0.406	0.127	-0.479	-3.197	**0.002**
	LROE	0.700	0.099	1.059	7.064	**0.000**
	R	.689[a]				
	R Square	0.475				

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

	Adjusted R Square	0.458
	Std. Error of the Estimate	0.62660
	R Square Change	0.475
	F Change	27.998
	df1	3
	df2	93
	Sig. F Change	0.000

a. Dependent Variable: LTOBINS

Summary of Findings

This study employed descriptive statistics, correlation analysis, and multiple regression analysis to examine the effects of tax avoidance, ROA, and ROE on firm value among Malaysian telecommunication service provider companies from 2013 to 2022. Therefore, this data uses 100 data samples to be tested on. The data was transformed into a log model to address skewness issues.

The descriptive test is carried out to view broad aspects of the data, such as minimum, maximum, mean, median, and standard deviation. This test offers insights into the distributions and central tendencies of tax avoidance, ROA, ROE, and firm value for Malaysian telecommunication companies, aiding in understanding their performance metrics and financial health over the 10-year period. The negative means for firm values, ROA and ROE, along with the variability in returns and slight negative skewness, indicate that the financial health of Malaysian Telecommunication Services Provider Companies, over the 10-year period is not optimal. However, the relatively low variability in tax avoidance suggests it is not a major driver of financial performance.

The correlation test was executed to see the relationship between tax avoidance, ROA, and ROE on the firm value. While tax avoidance has a weak negative relationship, ROA and ROE both have significant positive relationships with firm value for Malaysian telecommunication services provider companies over the 10-year period. ROE has the strongest positive correlation. The positive correlations between ROA and ROE on the firm value suggest a good company's financial health. The negative correlation between tax avoidance and firm value implies that increased tax avoidance is associated with lower firm value.

To test the effects of tax avoidance, ROA, and ROE on firm value, multiple regression tests were held in this study. Adjusted R^2 indicates a weak explanatory power as it captures less than half of the factors influencing firm value. While tax avoidance did not show a significant negative impact, ROA activities were associated with reduced firm value, and ROE activities were linked to increased firm value.

Conclusion

This study contributes by providing empirical evidence of the relationships between tax avoidance, ROA, and ROE on firm value. The findings of this study are aligned with the

objectives of SDG 8 and SDG 9. Strong financial performance contributes to economic growth and corporate sustainability, while transparent tax and governance practices support accountability and institutional effectiveness. As telecommunications firms play a strategic role in national digital development, improving firm value through sound financial management may contribute to broader sustainable development outcomes.

This study is subject to several limitations. First, the use of logarithmic transformation required the exclusion of observations containing negative ROA and ROE values. As a result, the findings may not fully reflect the performance characteristics of loss-making firms. Second, the use of pooled OLS regression for panel data observations. The analysis did not explicitly control for firm specific or year specific effects, which may influence the estimated relationships. Another limitation of this study is that the regression model focuses exclusively on tax avoidance, ROA and ROE as determinants of firm value. The analysis also did not explicitly control for firm level or year level effects that may influence firm value.

Future research may consider including these variables as control variables to reduce omitted-variable bias and provide a more comprehensive understanding of firm value determinants. Also, future research may employ panel-data estimation techniques, such as fixed-effects models, random-effects models, and robust or clustered standard errors, to provide more reliable estimates and strengthen the robustness of the findings. Alternative approaches such as raw profitability ratios, winsorized variables or signed logarithmic transformations shall be expanded to retain all observations and improve the robustness of the results.

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

Acknowledgements: The authors would like to express their sincere gratitude to Management and Science University for providing the necessary resources and support throughout the course of this research. Special appreciation is extended to colleagues and peers who contributed valuable insights and constructive feedback, which greatly enhanced the quality of this paper.

Funding Statement: This paper is funded by the Management and Science University (MSU) Publication Fund.

Conflict of Interest Statement: The authors declare that there is no conflict of interest regarding the publication of this paper. All authors have contributed to this work and approved the final version of the manuscript for submission to the Global Academic Excellence (GAE)

Ethics Statement: This study did not involve any human participants, animals, or sensitive data requiring ethical approval. The authors confirm that the research was conducted in accordance with accepted academic integrity and ethical publishing standards.

Author Contribution Statement: All authors contributed significantly to the development of this manuscript. Author 1 handled data collection, analysis, and interpretation of results. Author 2 was responsible for the conceptualization, methodology contributed to the literature review, drafting, and critical revision of the manuscript overall and supervision of the study. All authors read and approved the final version of the manuscript prior to submission.

Advanced International Journal of Business, Entrepreneurship and SME's
AIJBES
EISSN: 2682-8545
Volume: 8 Issue: 29 (September 2026) PP. 1305-1325

References

Adnan, N. K., Abdullah, A., & Noor, M. M. (2025). Tax avoidance in Malaysia: A scoping review. *Asian Journal of Accounting and Governance, 24*, 1–11. https://doi.org/10.17576/AJAG-2025-24-1

Aristiyaningrum, U. L., & Falikhatun. (2024). Corporate tax avoidance: A structured literature review and areas for future research. *International Journal of Economics, Business and Management Research*. https://doi.org/10.51505/IJEBMR.2024.8708

Bashir, R., & Ahmad, M. (2025). Determining the effect of working capital policies optimization and market power on firm value: *A developing country perspective. Asian Economic and Financial Review, 15*(4), 563–579. https://doi.org/10.55493/5002.v15i4.5357

Berk, J., & DeMarzo, P. (2022). *Corporate finance* (5th ed.). Pearson.

Du, M., & Li, Y. (2024). Tax avoidance, CSR performance and financial impacts: Evidence from BRICS economies. *International Journal of Emerging Markets, 19*(10), 3303–3328. https://doi.org/10.1108/IJOEM-05-2022-0747

Duhoon, A., & Singh, M. (2023). Corporate tax avoidance: A systematic literature review and future research directions. *LBS Journal of Management & Research, 21*(2), 197–217. https://doi.org/10.1108/LBSJMR-12-2022-0082

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2022). *Multivariate data analysis* (8th ed.). Cengage Learning.

Luo, L., Ma, M. S., Omer, T. C., & Xie, H. (2024). Tax avoidance and firm value: Does qualitative disclosure in the tax footnote matter? *Review of Accounting Studies, 29*(3), 2927–2970. https://doi.org/10.1007/s11142-023-09773-w

Mohd Salleh, A. A. A. K. S., Md Kassim, A. A., & Abubakar, A. H. (2025). Financial attributes, corporate governance and tax avoidance among Malaysian listed companies: The moderating effect of managerial ownership. *Edelweiss Applied Science and Technology, 9*(7), 1797–1815. https://doi.org/10.55214/2576-8484.v9i7.9011

Putri, A. F., Fuadah, L. L., & Kartasari, S. F. (2025). Corporate governance and tax avoidance: A systematic review of economic implications and influencing factors. *International Journal of Economics Development Research, 6*(3), 1422–1441. https://doi.org/10.37385/ijedr.v6i3.7871

Roslan, N. H., Saddam, S. Z., Ahmad, M., & Amran, M. H. B. (2024). Examining the influence of macroeconomic factors and corporate governance on firm performance in the ACE Market. *Information Management and Business Review, 16*(1), 153–162. https://doi.org/10.22610/imbr.v16i1(I)S.3737

Saleem, F. (2024). Financial determinants of tax avoidance: Insight from the telecom sector with profitability moderation. *International Journal of Academic Research in Business and Social Sciences, 14*(10), 2726–2740. https://doi.org/10.6007/IJARBSS/v14-i10/23414

Saragih, R. F., Suyanto, & Pratama, Y. H. (2025). Analysis of sales growth and return on assets in tax avoidance: Corporate governance perspective. *Equity: Jurnal Ekonomi, 13*(1).

Sekaran, U., & Bougie, R. (2021). *Research methods for business: A skill-building approach* (8th ed.). Wiley.

Serly, & Yuliani, N. (2024). The effect of tax avoidance on firm value. *Global Financial Accounting Journal, 8*(1), 78–89. https://doi.org/10.37253/gfa.v8i1.9846

Syahrani, A. (2025). Firm value: Tobin's Q. *Muttaqien Conference of Management & Accounting Science and Practise, 4*(1).

Tharavanij, P. (2024). Tobin's Q revisited: A theoretical and empirical framework for accurate business valuation. *Global Journal of Business and Social Science Review, 12*(3), 125–133. https://doi.org/10.35609/gjbssr.2024.12.3(3)

Walah, A., Juarso, G., Santoso, S., Kusno, J., & Teja, A. (2023). The effect of tax avoidance on firm value. In *Proceedings of the 5th International Public Sector Conference, IPSC 2023*. European Alliance for Innovation. https://doi.org/10.4108/eai.10-10-2023.2342208