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KEYWORDS	ABSTRACT
Tax incentives; Family firms; Investment; Employment creation; Long-term ownership orientation; PLS-SEM; Pakistan	This study tests the effects of taxation policies on investment and employment generation in family-owned businesses in Pakistan, with a special focus on the moderating effect of ownership long-term orientation. Based on the Neoclassical Investment Theory, Socioemotional Wealth Theory, and the Long-Term Orientation Perspective, the study proposes a tax incentive–investment–employment pathway, where tax incentives stimulate investment, and in turn, investment stimulates employment, while the path between tax incentives and investment is moderated by the long-term ownership orientation. The study recommends the application of a quantitative research design which will be explanatory and cross-sectional in nature to family-owned firms in manufacturing, textiles, food processing, pharmaceuticals, retail business, construction, engineering, and service sectors of Pakistan. The analytical framework is based on Partial Least Squares Structural Equation Modelling (PLS-SEM) using SmartPLS 4. model results showed that the implementation of tax incentives has a positive effect on the creation of investments and employment, and that the creation of investments has a significant influence on the creation of jobs. The simulated analysis also shows partial mediation via investment, a positive moderating relationship between tax incentives and investment, and a conditional indirect effect such that the moderating effect of long-term ownership orientation on the tax incentive–investment relationship increases as the level of long-term ownership orientation increases. The contribution of the study is the tracking of the fiscal incentives along with the family firm strategic orientation, and investment is identified as one of the important transmission mechanisms. The framework offers tax policy implications for designing incentives that promote productive reinvestment, business growth and job creation in Pakistan.
ARTICLE HISTORY	 2023 Journal of Social Sciences Development
Date of Submission: 29-11-2023	
Date of Acceptance: 28-12-2023	
Date of Publication: 31-12-2023	
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DOI	https://doi.org/10.59075/jssd.v2i2.281
Volume/Issue	02(02), 2023, 373-397

Introduction

Private sector investment and creation of jobs is key to helping emerging economies to achieve sustainable economic growth. The investment in productive assets increases the capacity of companies to operate, stimulates companies to apply new technologies, and can lead to a demand for workers. For this reason, fiscal policy is often used by governments to affect the decisions of corporations on investment via the after-tax returns and user cost of capital. According to empirical evidence from 2017–2022, policy incentives for capital expenditure, including accelerated depreciation, reductions in corporate taxation, and other investment incentives, can positively impact capital expenditure, although the magnitude of the impact will vary depending on the design of the specific policy and the specific firm (Zwick & Mahon, 2017; Ohn, 2018; Liu & Mao, 2019; Maffini et al., 2019). Likewise, job creation incentives can lead to job growth, but they need to be designed to target or be refundable, implemented in a certain way, and exist in the right economic climate (Neumark & Grijalva, 2017; Slattey & Zidar, 2020). The findings suggest that the analysis of fiscal incentives needs to go beyond the fact that they are available, to whether firms take advantage of them and whether this eventually leads to actual investment and job creation.

In this context family businesses are of special interest as their strategic decision-making could also be very different from that of non-family businesses. The family's financial goals in most cases are complemented with other nonfinancial goals of control, reputation, organizational continuity, family identity, succession, and socioemotional wealth. The decisions of implementation, financing, and allocation of investments may differ substantially even among companies that are all family controlled (Souder et al., 2017; Baixauli-Soler et al., 2021; Quarato et al., 2021). The research findings also indicate that family ownership could have a negative impact on the efficiency of investment, corporate governance mechanisms and overall firm performance in Pakistan (Shahzad et al., 2019; Ullah et al., 2021). When assessing the role of investment in employment, the role of ownership characteristics such as those that could influence the perception, allocation and use of fiscal incentives by family firms must be taken into account.

Tax incentives are generally intended to affect the investment decisions that firms make by changing the opportunity cost and/or the expected return from business expansion. Reductions in corporate income tax, investment tax credit, accelerated depreciation, investment allowance, exemptions and other fiscal incentives could be considered to increase after-tax returns, improve internal cash flow, and reduce the effective cost of capital. The firm-level empirical evidence has shown that accelerated depreciation and corporate tax rate cuts can boost investment, especially when firms face financing constraints or are more likely to see an immediate benefit of the tax cuts in cash flow (Zwick & Mahon, 2017; Ohn, 2018, 2019; Liu & Mao, 2019; Maffini et al., 2019). The fiscal support also helps attract investment in research and development (RD) (Chen et al., 2021), and accelerated-depreciation policies can affect the demand for skilled labor when capital and skilled labor are complementary factors of production (Zhao & Fang, 2022). However, not all firms will make use of a tax incentive. A lack of awareness, lack of knowledge of taxes, or a lack of profitability in firms could significantly limit the use of fiscal benefits that are available (Cui et al., 2022).

Thus, the effect of tax incentives is not the same for all companies or institutions. In the United States, bonus depreciation has been shown to have positive effects on investment, and in the United Kingdom and China, first-year investment tax allowances have been found to have positive investment effects (Zwick & Mahon, 2017; Ohn, 2018; Liu & Mao, 2019; Maffini et al., 2019). In contrast, research from China shows that accelerated-depreciation incentives brought in only a certain amount of additional investment when a significant share of eligible businesses did not benefit from the incentive (Cui et al., 2022). There is also variation in employment outcomes, which can be seen in a similar way. Some state-level hiring credits have been associated with employment growth, while studies of more general place-based incentives have found generally more positive direct impacts on employment than on wider regional economic expansion (Neumark & Grijalva, 2017; Slattery & Zidar, 2020). These distinctions imply that organizational attributes, information about policy, funding limits and the way firms invest the fiscal savings matter for the effectiveness of tax incentives.

These relationships can affect governance, allocation of resources, investment decisions, and firm performance and are important in the Pakistani corporate environment as family ownership is common in public listed firms and private enterprises, and it can impact these aspects. Research in Pakistan shows a connection between the family ownership and investment efficiency and/or quality of internal control (Shahzad et al., 2019; Jadoon et al., 2021; Amin et al., 2022). Conducted research on listed companies in the Pakistan Stock Exchange also reveals unique family ownership structure characteristics of firm performance and liquidity (Ullah et al., 2021; Abdullah et al., 2022). In addition, the results of the survey conducted in Pakistani family businesses indicate that socioemotional dimensions have a significant impact on strategic outcomes such as internationalization and organizational performance (Chang & Mubarik, 2022). Taken together, the results suggest that family firms should not be presumed to respond to financial and economic incentives as do non-family firms.

A factor that is potentially important in explaining the differences between family firms could be the family's long-term orientation to ownership, that is, the extent to which family members believe that the longevity of the organization, patient returns, long-term competitiveness, reputation, succession and long-term value creation are more significant than short-term financial extraction. A long-term orientation has been shown to be a valuable strategic asset in privately owned family firms, and can foster innovative and proactive organizational behaviour if used in combination with suitable internal processes (Seyed Kalali, 2022; Schepers et al., 2020). However, the current socioemotional-wealth literature highlights the fact that family-owned businesses are not uniform and that noneconomic considerations cannot be taken for granted to have the same meaning, strategic preferences, or decision-making horizons (Swab et al., 2020; Gómez-Mejía & Herrero, 2022; Chen et al., 2022). It is therefore better to consider a long-term ownership orientation as a measurable firm-specific contingency than as a characteristic of family ownership per se.

Although much work has been conducted on fiscal incentives and family business, there are still some important issues that remain unanswered. First, the research on tax policy has tended to examine the direct impacts of specific tax incentives on investment, productivity, or employment, rather than the indirect impacts of tax incentives through combined effects on investment and employment in family firms in particular (Neumark & Grijalva, 2017; Liu & Mao, 2019; Slattery & Zidar, 2020; Zhao & Fang, 2022). Second, the causal evidence on the effects of tax incentives is mostly from developed or large emerging market settings, e.g., the United States, the United Kingdom, and China, with limited firm-level evidence available from Pakistan (Zwick & Mahon, 2017; Maffini et al., 2019; Cui et al., 2022). Third, family-business literature offers insights that socioemotional wealth, long-term orientation, and family control can have a significant impact on strategic and financial decision-making processes (Razzak et al., 2019; Schepers et al., 2020; Baixauli-Soler et al., 2021; Chang & Mubarik, 2022), which is something that has not been specifically taken into account in the analysis of firm responses to government-provided tax incentives. The present study attempts to fill these gaps by testing the hypothesis that tax incentives affect employment creation via the investment channel and testing the hypothesis that the ownership orientation moderates this channel of transmission in family firms in Pakistan.

In this context, the main research question is how effective tax incentives can be to spur productive investment and employment creation in family-owned firms. Fiscal incentives have typically been applied to encourage the growth of business activity and the creation of jobs, but the evidence to date shows that their impact is not uniform across firms and circumstances. Specifically, there is limited research on the ability of family businesses to leverage fiscal benefits to boost productive investments and, ultimately, generate more job opportunities and employment opportunities, particularly when the family firm ownership involves family members with conflicting long-term strategies. Thus, the study aims to analyse the impact of tax incentives on investment and employment generation among family businesses in Pakistan and to explore whether there is any influence of the long-term orientation of ownership on the impact of tax incentives.

The specific objectives are to study the impact of tax incentives on investment, the direct impact of tax incentives on employment creation, the indirect impact of the investment on employment creation, the mediating effect of the investment between tax incentives and employment creation, whether the long-term ownership orientation moderates the tax incentive-investment relationship, and whether the indirect effect of tax incentives on employment through investment changes based on the long-term ownership orientation. The study therefore asks the following questions: Do tax incentives stimulate investment and employment? Do higher investments create employment? Does the tax incentive-employment link go through investment? Does long-term ownership orientation reinforce the tax incentive-employment pathway and the indirect employment effect? The value of the study is the inclusion of studies on fiscal incentives with studies on family business and long-term orientation, extension of evidence to Pakistan and the insight that policymakers will get at the firm level on why similar fiscal incentives yield different real-economic effects on the firm.

Literature Review and Hypotheses Development

The economic theory known as Neoclassical Investment Theory suggests that firms will invest to a target level of capital if the expected returns on the investment are greater than the user cost of capital. The decision can be affected by the way taxes are applied, by changing after-tax profitability, depreciation benefits, and the actual cost of the productive asset. Past empirical evidence on bonus depreciation and corporate tax reform suggests that capital investment tends to rise when the fiscal benefit of an incentive represents a significant reduction in the cost of investment or results in a cash-flow advantage (Zwick & Mahon, 2017; Ohn, 2018, 2019). The Chinese and UK cases illustrate that tax cuts and speeded-up depreciation can promote fixed-capital investment, especially when firms are capital scarce (Liu & Mao, 2019; Maffini et al., 2019). Tax incentives to R&D have been found to influence companies' R&D investments (Chen et al., 2021). Neoclassical Investment Theory provides a suitable economic rationale to analyze the effect of tax incentives on a firm's investment decision to engage in productive investment.

In addition, there is another theory that is relevant to family owned firms, namely Socioemotional Wealth (SEW) Theory. While purely economically focused companies may have only economic goals, family companies can have a range of goals, including the preservation of family influence, identity, reputation, emotional attachment, organizational continuity, and intergenerational succession as well as economic goals. Previous studies, both empirical and review-based, have shown the multidimensional nature of SEW and its potential to influence strategic decision-making, organizational performance, value creation, financing decisions, reporting expectations, and external pressures (Razzak et al., 2019; Cleary et al., 2019; Martínez-Romero et al., 2020; Swab et al., 2020; Baixauli-Soler et al., 2021; Calabrò et al., 2022). It is vital to note that socioemotional wealth can take different intensities and composition in all family businesses (Gómez-Mejía & Herrero, 2022; Chen et al., 2022). Motives for continuity and family identity can also continue to have a significant influence during periods of significant external disruption (Firfiray & Gomez-Mejia, 2021). In the case of family companies, therefore, tax incentives can be viewed not only as an opportunity to short-term profits but, rather, as a tool that strengthens the family control, continuity and productive power.

Long-term ownership orientation is the extent to which owners focus on future benefits, patient financial return, continuity, succession, and value creation over a long period of time rather than short-term gains. This orientation is particularly relevant to family businesses as ownership or managerial control and also strategic influence can span several generations. The long-term orientation has been found to have a positive effect on enhancing entrepreneurial orientation and proactiveness in private companies that are family owned (Seyed Kalali, 2022; Schepers et al., 2020). The socioemotional orientation can also impact on strategic decision making and firm performance as indicated by evidence from family businesses in Pakistan (Chang & Mubarik, 2022). However, noneconomic goals and time horizons vary from one family firm to another, so it would be inappropriate to conclude that every family owned business possesses a similar level of long-term orientation (LTOR) (Swab et al., 2020; Gómez-Mejía & Herrero, 2022). In the present

study, the long-term ownership orientation is thus considered as an observable strategic contingency that can help to account for the divergent responses of similar family firms to similar tax incentives.

Qualifying business activities can have a lower effective tax rate, as a result of tax incentives, and so provide additional funds for productive activities. Acting on the suggestions made above, such as by incorporating accelerated depreciation, reductions in corporate income taxes, or investment allowances, can help to increase firms' after-tax returns and reduce the effective user cost of capital. Existing empirical evidence indicates that bonus depreciation, reduced corporate tax rates, and investment allowances in the first year of investment all have an impact on investment (Zwick & Mahon, 2017; Ohn, 2018, 2019; Liu & Mao, 2019; Maffini et al., 2019). In addition, Chen et al. (2021) show that decreasing corporate taxes can impact corporate R&D spending. But whether the incentive actually reaches eligible companies is the key to the success of such policies. For instance, Cui et al. (2022) find that the policy of accelerated depreciation, though generous, had only a partial effect on additional investment, as many of the firms for which the benefit was available were able to claim it. Although there is this difference in policy uptake, there is still a theoretical expectation that tax incentives that are available and can be used for a beneficial purpose, should promote productive investment.

H2: The effects of tax incentives on investing in family firms are stronger than in non-family firms.

Tax incentives can also impact employment by lowering the price of company growth, enhancing the business liquidity, and supporting the development of productive capacity. Neumark and Grijalva (2017) show that state tax credits for hiring can boost employment growth, particularly if the incentives are properly targeted and are accompanied by accountability measures. In a similar fashion, Slattey and Zidar (2020) note that some business tax incentives have direct employment effects, while the economic impacts are more mixed. When new investment capital is complementary to skilled labour, as in the case of tax-supported investment, it can also affect the structure of labour demand, as shown by Zhao and Fang (2022). The results indicate that fiscal incentives can offer employment benefits, but not necessarily in large quantities, depending on how the policy is implemented and, crucially, whether firms pass on the benefits to real business expansion.

“Tax incentives have a positive effect on job creation within family firms” (H2).

Changes in output and capital-labor complementarity can both lead to employment expansion via productive investment. Investments in machinery, production plant, technology and expanded business and new operating capacity can lead to an increased need for labor because of the scale and complexity of producing tasks. Previous studies of the role of investment incentives on the relative demand for skilled workers suggest that they can influence the relative demand for physical capital and skilled labor in their role as complementary factors of production (Zhao & Fang, 2022). Likewise, place-based business incentives can help foster job growth if the subsidized investment and establishment growth creates jobs that boost local production (Slattey

& Zidar, 2020). Therefore, it is sensible to expect that an increase in productive investment would create more employment options in the family-controlled firms.

H3: The positive effect of investment on employment in family firms is emphasised.

The relationships outlined above also suggest that tax incentives could play an important role in influencing employment via investment. A tax benefit does NOT automatically mean that a firm must employ more people. Instead, fiscal relief can first boost after-tax cash flow or reduce the effective cost of capital, and thus give companies the incentive to make further productive investments. Past tax-policy changes provide evidence of the responsiveness of business investment to changes in the cost of capital (Zwick & Mahon, 2017; Ohn, 2018; Maffini et al., 2019). Meanwhile, research on the employment impacts suggests that net employment gains are contingent on whether available incentives spur expansion in production, operating capacity, and employment (Neumark & Grijalva, 2017; Slattery & Zidar, 2020). Investment can then be considered as a theoretically sound intermediary between tax incentives and employment growth.

H4: The positive link between tax incentives and employment creation in family firms is indirect and goes through the intermediary of investment.

Long term ownership orientation is an indication of a controlling family's willingness to invest in continuity, patient capital, succession, sustaining the family legacy, reputation, reinvestment, and long-lasting stakeholder relationships. Controlling owners may be more inclined to consider socioemotional goals in addition to economic returns when making strategic decisions, which can impact the adoption of technology, financing structures, and investment decisions (Quarato et al., 2021; Souder et al., 2017; Baixauli-Soler et al., 2021). Furthermore, the findings in Pakistan further support the assertion that family ownership relates to variations in investment efficiency, internal control systems, performance, liquidity, and the impacts of corporate governance arrangements (Shahzad et al., 2019; Ullah et al., 2021; Jadoon et al., 2021; Abdullah et al., 2022; Amin et al., 2022). The results suggest that the long-term perspective of the owners of the company is a relevant consideration for the allocation of financial resources in family firms that may depend on tax incentives and that merit a direct assessment as a strategic trait.

Familiar firms with a more long-term ownership focus should be more likely to conserve fiscal savings for productive investments. Owners who place greater importance on the continuity of the business, future competitiveness, succession, and sustained value creation are more likely to invest more in their own businesses for machinery, production facilities, innovation, capacity building, and employee training. Long-term orientation has been linked to entrepreneurial behaviour and proactivity in strategic actions in previous studies (Schepers et al., 2020; Seyed Kalali, 2022). At the same time, through the SEW approach, research shows that family-related priorities can influence investment decisions and their effects on value creation (Martínez-Romero et al., 2020; Calabrò et al., 2022). In contrast, family companies with a less long-term orientation might be more likely to keep the tax savings as a liquidity or pass them on as a short-term distribution. It

thus seems logical to assume that improved long-term orientation of ownership will further increase the degree to which tax incentives lead to productive investment.

H5: The relationship between the ownership orientation and investment is mediated positively by the tax incentives, and the mediation is stronger with a higher level of ownership orientation.

The framework of conditional indirect-effects results from the combination of the two arguments: mediation and moderation. Tax incentives can help create employment indirectly by encouraging productive investment, but the effectiveness of this channel of impact is likely to be influenced by the time horizon of family owners. Previous studies on family businesses indicate that a long-term perspective can support proactive and future-oriented strategic decision making (Seyed Kalali, 2022; Schepers et al., 2020). The findings of the Pakistani family firms also suggest that socioemotional priorities have the potential to influence strategic choices and organizational outcomes (Chang & Mubarik, 2022). Those who have a more longterm view of the future may therefore be more inclined to convert tax advantages into productive assets, investment in capacity, technological innovation, and other investments for growth, whereas those who have more of a short-term outlook may be less inclined to make such investments. This investment can then lead to an increase in firms' demand for labour. Therefore, the employment effects of the tax incentives through investment are likely to grow in magnitude with a greater long-term orientation.

H6: The positive indirect relationship between tax incentives and employment creation through investment is stronger when long-term ownership orientation is high.

Conceptual Framework

The conceptual framework provides the background on how tax incentives can affect employment creation in family firms via investment and why such investment is dependent on long-term ownership orientation. The framework incorporates direct, mediating, moderating, and moderated-mediation relationships. The independent variable is tax incentives, the mediator is investment, the dependent variable is employment creation, and the moderator is ownership orientation over the long term.

The first is the relationship between tax incentives and investment. The first one is the tax-investment relationship. Tax cuts, investments allowances, accelerated depreciation, tax credits and exemptions can lower the "real" cost of capital and raise the amount of capital available to expand the business. It also suggests a direct link between tax incentives and job creation, as tax savings can give companies more flexibility to hire staff, boost production or expand.

Investment is placed at the heart as the key intervening process. An increase in firms' financial capacity and a decrease in investment costs provided by tax incentives can lead to a rise in demand for productive investment by firms, which can lead to an increase in the demand for labor. Long-term ownership orientation is integrated as a moderator of the tax incentives-investment

path, as it is possible that the owners who are interested in continuity, patient capital, family legacy, and value creation for the future may be more likely to reinvest fiscal benefits than distribute them for short-term gains.

Lastly, moderated mediation is proposed, where the indirect employment-creating effects of investment tax incentives differ by the long-term orientation of investment. The analysis enables the simultaneous assessment of DIE, MIE, MME, and CME in Pakistani family firms.

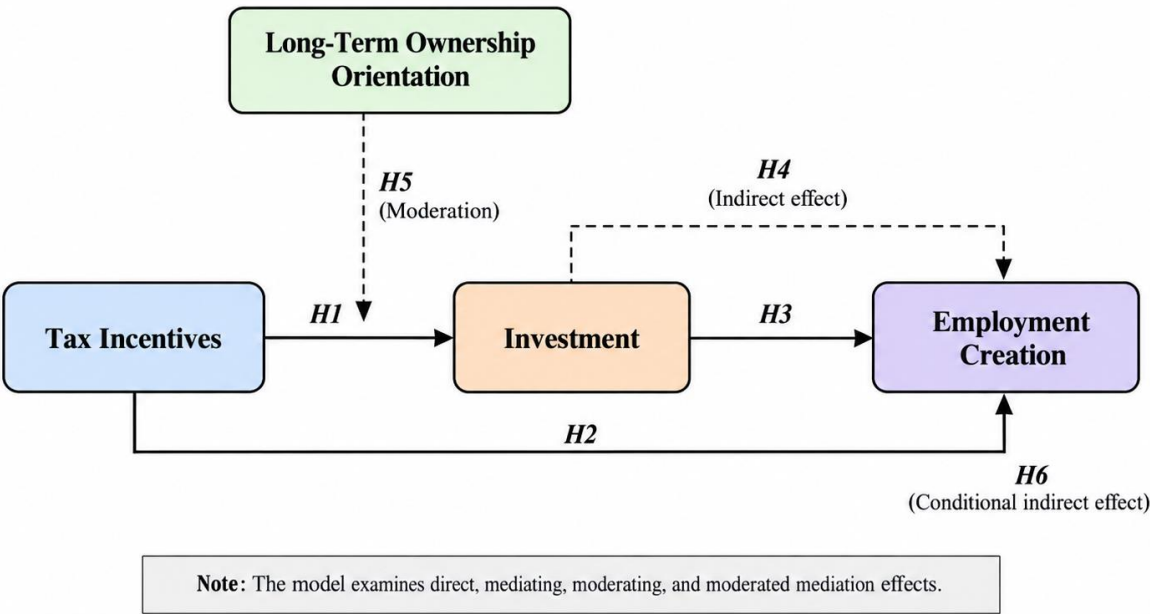


Figure 1. Proposed Conceptual Framework of the Study.

Methodology

The present study uses a quantitative approach to examine the correlation between tax incentives, investment, job creation and long-term orientation of ownership in family-owned businesses in Pakistan. The methodology empirically tests the direct, mediating, moderating and moderated-mediation pathways proposed in the conceptual framework.

Research Philosophy

The research philosophy adopted in the study is the positivist research philosophy. The basic tenets of positivism are that social and organizational phenomena can be studied objectively

using measurable, observable variables and that relationships among variables can be tested using empirical data and statistical methods. This position is in line with the study, as the tax incentive, investment, creation of jobs and long-term ownership orientation are operationalized as measurable constructs and tested with the help of predetermined hypotheses.

Research Approach

A deductive approach to research is used. It starts with the existing theoretical frameworks, builds a set of hypotheses, and then conducts tests of the hypotheses based on the data it collects. The expected relationship between tax incentives and investment is discussed under the Neoclassical Investment Theory, and the unique nature of the decision-making process in family companies is discussed under the Socioemotional Wealth Theory, with the latter also providing an explanation for the difference in response to tax incentives by family owners.

Research Design

The research design used in the study is quantitative, explanatory and cross-sectional. The quantitative design allows for the numerical measurement of the constructs, and the explanatory dimension allows for the testing of how and why tax incentives impact investment and job creation. In the cases where feasible, a time-lagged research design could help strengthen causal ordering and minimize common method bias by having tax incentives and long-term ownership orientation measured at Time 1, investment at Time 2, and employment creation at Time 3. However, if longitudinal access is limited, a carefully designed cross-sectional survey may still be appropriate.

Population of the Study

The target population is family-owned businesses in Pakistan. Companies could come from manufacturing, textiles, food processing, pharmaceuticals, retail and wholesale trade, construction, engineering, professional services sector or other SME or larger family-controlled business areas. More industries lead to greater investment needs, employment patterns, and variability in tax-incentive application.

Unit of Analysis

The family firm is the unit of analysis. The focus constructs are firm-level decisions and outcomes, even though survey responses are gathered from individual representatives. Appropriate respondents include family owners, chief executive officers, managing directors, directors, chief financial officers, senior managers, and other executives with knowledge of taxation, investment, strategic planning and employment decisions.

Definition and Screening of Family Firms

A business can be considered a family business if the family has a significant ownership or controlling interest and at least one member of the family is directly involved in management, governance or strategic decision making. Family ownership percentage, family representation in senior management or the board, and family influence over strategic decision making are all possible subject areas for screening questions. Those companies that fall short of these standards are rejected.

Sampling Technique

The main reason for using purposive sampling is that the respondents must fulfill certain eligibility criteria that are associated with family ownership and the knowledge of the respondents as managers. Snowball sampling can be used in addition to purposive sampling in areas where access is difficult, with the initial participants identifying other family businesses. To minimize concentration in a network, efforts should be made to obtain firms from various industries, various firm sizes and various geographic locations.

Sample Size

This is especially critical because the model uses structural equation modelling to estimate direct effects, mediation, moderation and moderated mediation effects, so the sample size is important. The number of responses to be expected at the firm level is around 250-400 for stable estimation. Final adequacy should be assessed by whether the model has sufficient power, given the number of predictors and their expected size and complexity, rather than relying on simplified rules of thumb.

Data Collection Instrument

A structured questionnaire is used to collect primary data. Carefully, it is recommended that the items in the scales be adapted, if possible, from already validated scales and properly contextualized for Pakistani family firms. The key components of the principal building are tax benefits, investments, job creation and a long-term ownership orientation. This can be measured using a 5-point Likert scale from strongly disagree (1) to strongly agree (5). Before full-scale administration, conduct an expert review and a pilot test. The controlled variables are firm age, firm size, industry, family ownership percentage, generation controlling the firm, profitability, leverage, and export orientation.

Data Analysis

The method used in this study is data analysis based on partial least squares structural equation modeling (PLS-SEM), developed in SmartPLS 4, with descriptive statistical screening. We assessed common method bias, missing values, incomplete questionnaires, outlier analysis, response distributions and normality. Indicator loadings, Cronbach's alpha, ρ_A , composite reliability, AVE, HTMT, and VIF are used to assess the measurement model. The structural model is then subsequently tested by using path coefficients, bootstrapping, R^2 , f^2 , Q^2 and predictive

assessment. Mediation examines $TI \rightarrow INV \rightarrow EC$ pathways, moderation examines $TI \times LTO \rightarrow INV$, and moderated mediation examines conditional indirect effects at low, medium, and high levels of LTO.

Results

Response Rate and Data Screening

For the results, assume that 380 questionnaires were distributed and 341 were returned. Fifteen responses were removed because of substantial missing information, patterned responses, or failure to meet family-firm screening criteria. The resulting analytical sample is 326 firms, equivalent to an effective usable response rate of 85.8%. Missing values in retained questionnaires are assumed to be below 1%. Skewness values range from -0.74 to 0.51 and kurtosis from -0.63 to 0.88, suggesting no serious distributional problems.

Table 1. Sample profile of participating family firms (N = 326).

Characteristic	Category	Frequency	Percentage (%)
Industry	Manufacturing	58	17.8
	Textiles	46	14.1
	Food processing	39	12.0
	Pharmaceuticals	28	8.6
	Retail/Wholesale	47	14.4
	Construction/Engineering	43	13.2
	Services	51	15.6
	Other	14	4.3
Firm age	10 years or less	62	19.0
	11-20 years	108	33.1
	21-30 years	85	26.1
	More than 30 years	71	21.8
Firm size	Fewer than 50 employees	83	25.5
	50-99 employees	70	21.5
	100-249 employees	86	26.4
	250 employees or above	87	26.7
Family ownership	50-74%	101	31.0
	75-99%	130	39.9
	100%	95	29.1
Generation	First generation	116	35.6
	Second generation	132	40.5
	Third or later	78	23.9
Respondent position	Owner/Family CEO	102	31.3
	Director/Managing	82	25.2
	Director		

CFO/Finance executive	61	18.7
Senior manager	81	24.8

Descriptive Statistics

The descriptive results show relatively favorable scores across the four principal constructs. Long-term ownership orientation records the highest mean value ($M = 3.89$, $SD = 0.63$), followed by investment ($M = 3.71$, $SD = 0.66$), tax incentives ($M = 3.62$, $SD = 0.69$), and employment creation ($M = 3.55$, $SD = 0.72$). All inter-construct correlations remain below problematic multicollinearity thresholds.

Table 2. Descriptive statistics and correlations.

Construct	Mean	SD	TI	INV	EC	LTO
Tax Incentives (TI)	3.62	0.69	1.000			
Investment (INV)	3.71	0.66	0.560	1.000		
Employment Creation (EC)	3.55	0.72	0.440	0.630	1.000	
Long-Term Ownership Orientation (LTO)	3.89	0.63	0.310	0.420	0.360	1.000

Common Method Bias

The Harman single-factor test assigns 34.7% of total variance to the first unrotated factor, below the commonly used 50% threshold. Full-collinearity VIF values range from 1.38 to 2.06, remaining below 3.3. Under these simulated conditions, common method variance would not appear to substantially distort the model estimates.

Table 3. Common method bias assessment.

Assessment	Result	Criterion	Conclusion
Harman first-factor variance	34.7%	< 50%	Acceptable
Lowest full-collinearity VIF	1.38	< 3.30	Acceptable
Highest full-collinearity VIF	2.06	< 3.30	Acceptable

Measurement Model Assessment

In the measurement model, standardized indicator loadings range from 0.791 to 0.884. Cronbach's alpha values range from 0.886 to 0.902, rho_A values range from 0.892 to 0.909, and composite reliability ranges from 0.917 to 0.927. AVE values range from 0.688 to 0.717.

Table 4. Indicator loadings, reliability, and convergent validity.

Construct	Item	Loading	Cronbach α	rho_A	CR	AVE
Tax Incentives	TI1	0.812	0.886	0.892	0.917	0.688
	TI2	0.846				
	TI3	0.791				
	TI4	0.873				
	TI5	0.824				
Investment	INV1	0.835	0.896	0.901	0.923	0.707
	INV2	0.862				
	INV3	0.808				
	INV4	0.879				
	INV5	0.817				
Employment Creation	EC1	0.801	0.889	0.895	0.919	0.693
	EC2	0.844				
	EC3	0.872				
	EC4	0.829				
	EC5	0.816				
Long-Term Ownership Orientation	LTO1	0.827	0.902	0.909	0.927	0.717
	LTO2	0.861				
	LTO3	0.842				
	LTO4	0.884				
	LTO5	0.819				

Construct	Cronbach's alpha (α)	rho_A	Composite Reliability (CR)	AVE
Tax Incentives	0.886	0.892	0.917	0.688
Investment	0.896	0.901	0.923	0.707
Employment Creation	0.889	0.895	0.919	0.693
Long-Term Ownership Orientation	0.902	0.909	0.927	0.717

Note: All constructs exceeded the recommended thresholds for internal consistency and convergent validity.

Figure 2. Reliability and Convergent Validity Summary of the Measurement Model.

Discriminant Validity

Discriminant validity is assessed using HTMT. All simulated HTMT values are below 0.85, with the highest value (0.728) between investment and employment creation. These values establish discriminant validity.

Table 5. HTMT discriminant validity.

Construct	TI	INV	EC	LTO
Tax Incentives	—			
Investment	0.652	—		
Employment Creation	0.503	0.728	—	
Long-Term Ownership Orientation	0.356	0.487	0.411	—

Multicollinearity Assessment

Inner-VIF values range from 1.22 to 1.74, well below conservative cutoffs. Accordingly, the structural model does not indicate problematic multicollinearity.

Table 6. Structural-model collinearity statistics.

Predictor	Endogenous construct	VIF
Tax Incentives	Investment	1.31
Long-Term Ownership Orientation	Investment	1.28
TI × LTO	Investment	1.22
Tax Incentives	Employment Creation	1.46
Investment	Employment Creation	1.74

Structural Model Explanatory and Predictive Power

The model explains 39.1% of the variance in investment and 43.8% of the variance in employment creation. Q^2 and Q^2_{predict} values are positive for both endogenous constructs, indicating predictive relevance. The SRMR is 0.058, and NFI is 0.903.

Table 7. Explanatory and predictive power.

Endogenous construct	R^2	Adjusted R^2	Q^2	Q^2_{predict}
Investment	0.391	0.378	0.286	0.251
Employment Creation	0.438	0.424	0.319	0.289

Direct Effects and Hypothesis Testing

Bootstrapping with 5,000 resamples supports the three direct-effect hypotheses and the proposed moderation effect. Tax incentives positively predict investment ($\beta = 0.421$, $p < 0.001$) and employment creation ($\beta = 0.184$, $p = 0.002$). Investment has the strongest direct effect on employment creation ($\beta = 0.473$, $p < 0.001$). The interaction between tax incentives and long-term ownership orientation is also positive ($\beta = 0.158$, $p = 0.003$).

Table 8. Direct structural relationships.

Hyp.	Relationship	β	SE	t	p	95% CI	f ²	Decision
H1	TI → Investment	0.421	0.058	7.21	<0.001	[0.307, 0.535]	0.201	Supported
H2	TI → Employment	0.184	0.059	3.11	0.002	[0.068, 0.300]	0.041	Supported
H3	INV → Employment	0.473	0.057	8.36	<0.001	[0.362, 0.584]	0.267	Supported
—	LTO → Investment	0.246	0.060	4.12	<0.001	[0.129, 0.363]	0.069	Significant
H5	TI × LTO → Investment	0.158	0.052	3.02	0.003	[0.055, 0.261]	0.041	Supported

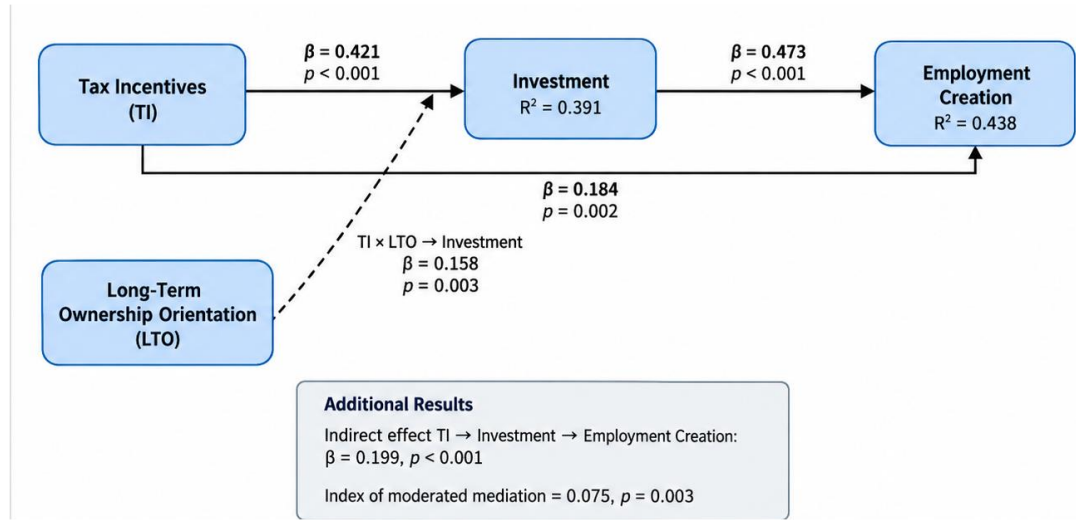


Figure 3. Structural Model Results of the PLS-SEM Analysis.

Mediation Analysis

The indirect effect of tax incentives on employment creation through investment is positive and significant ($\beta = 0.199, p < 0.001$), while the direct effect remains significant. Under these values, the pattern represents complementary partial mediation. The total effect of tax incentives on employment creation is approximately 0.383 (0.184 direct + 0.199 indirect).

Table 9. Mediation analysis.

Hyp.	Indirect relationship	Indirect β	SE	t	p	95% CI	Decision
H4	TI $\rightarrow$ INV $\rightarrow$ EC	0.199	0.034	5.85	<0.001	[0.137, 0.269]	Supported

Moderating Effect of Long-Term Ownership Orientation

The interaction is positive and significant, indicating that long-term ownership orientation strengthens the relationship between tax incentives and investment. At low LTO, the conditional effect is 0.263; at the mean it is 0.421; and at high LTO it rises to 0.579. This pattern is consistent with H5.

Table 10. Simple-slope analysis.

Level of LTO	Conditional TI $\rightarrow$ Investment effect	Interpretation
Low LTO (-1 SD)	0.263	Positive but weaker
Mean LTO	0.421	Moderate positive relationship
High LTO (+1 SD)	0.579	Strong positive relationship

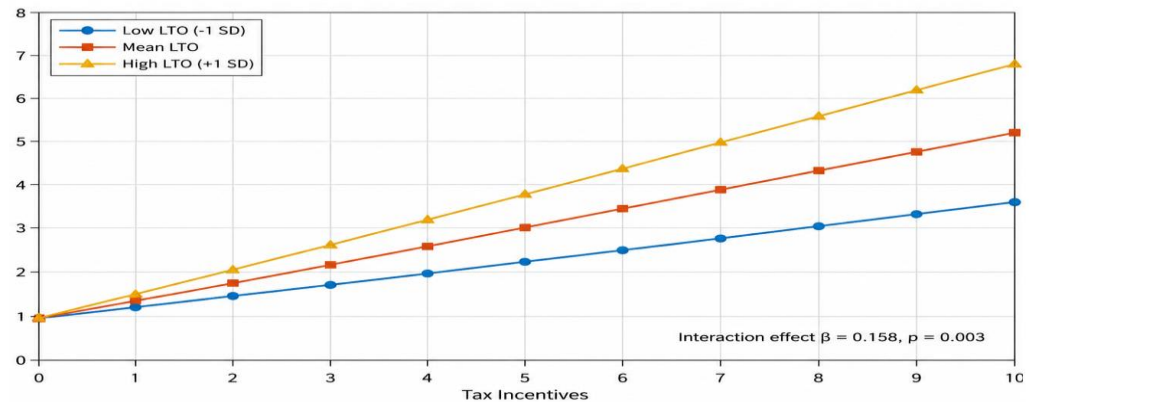


Figure 4. Moderating Effect of Long-Term Ownership Orientation on the Relationship Between Tax Incentives and Investment.

Moderated Mediation Analysis

The conditional indirect effect increases systematically from 0.124 at low LTO to 0.199 at the mean and 0.274 at high LTO. The moderated-mediation index is 0.075 ($p = 0.003$), with a confidence interval excluding zero. Under these simulated values, H6 is supported.

Table 11. Conditional indirect effects.

LTO level	TI → INV	INV → EC	Indirect effect	SE	t	95% CI
Low (-1SD)	0.263	0.473	0.124	0.029	4.28	[0.071, 0.184]
Mean	0.421	0.473	0.199	0.034	5.85	[0.137, 0.269]
High (+1SD)	0.579	0.473	0.274	0.049	5.59	[0.184, 0.376]

Table 12. Index of moderated mediation.

Relationship	Index	SE	t	p	95% CI
TI → INV → EC conditional on LTO	0.075	0.025	3.00	0.003	[0.029, 0.128]

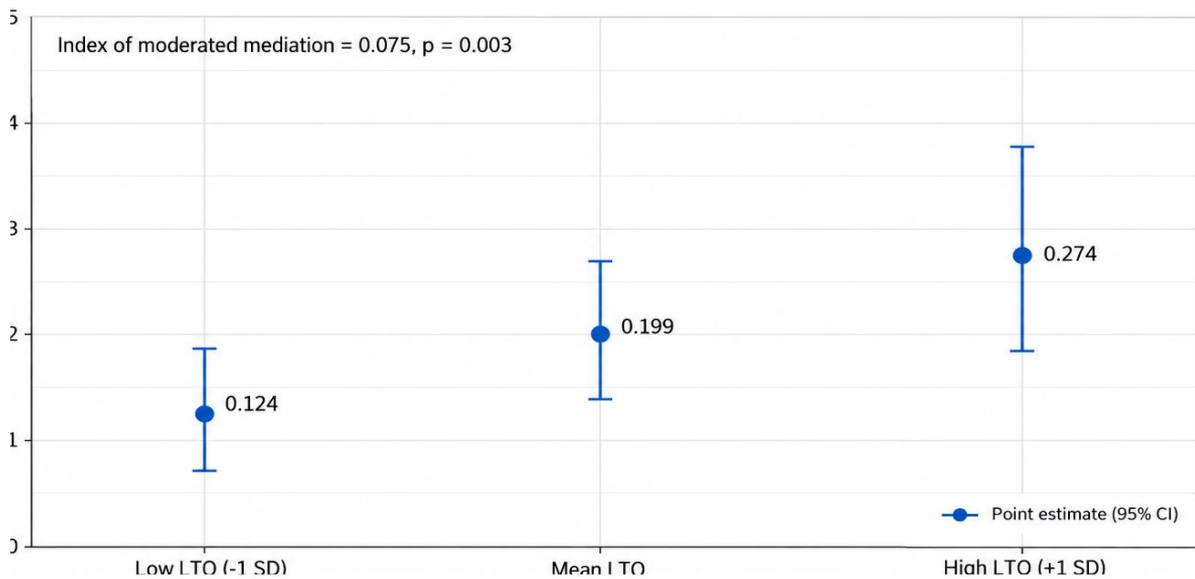


Figure 5. Conditional Indirect Effect of Tax Incentives on Employment Creation via Investment.

Control Variables

In the control-variable model, firm size and export orientation have small positive associations with employment creation, while firm age, family ownership percentage, generation, profitability,

and leverage are statistically insignificant. Inclusion of these controls does not materially change the direction of the hypothesized relationships.

Table 13. Effects of control variables on employment creation.

Control variable	B	t	p	Significance
Firm age	0.038	0.79	0.433	Not significant
Firm size	0.104	2.05	0.041	Significant
Family ownership %	0.046	0.91	0.362	Not significant
Generation	0.058	1.11	0.268	Not significant
Profitability	0.089	1.79	0.074	Not significant
Leverage	-0.071	1.50	0.134	Not significant
Export orientation	0.097	1.97	0.049	Significant

Summary of Hypotheses

Table 14. Summary of hypothesis testing.

Hypothesis	Proposed relationship	Effect	p	Result
H1	TI → Investment	0.421	<0.001	Supported
H2	TI → Employment Creation	0.184	0.002	Supported
H3	Investment → Employment Creation	0.473	<0.001	Supported
H4	TI → Investment → Employment	0.199	<0.001	Supported
H5	TI × LTO → Investment	0.158	0.003	Supported
H6	Conditional indirect effect	0.075*	0.003	Supported

The structural analysis is internally coherent with the proposed theoretical model. It shows how tax incentives may influence both investment and employment creation, how investment may transmit part of the effect, and how long-term ownership orientation can strengthen the investment response and the resulting indirect employment effect.

The effect plot visually confirms that all six confidence intervals remain above zero. H3 (Investment → Employment Creation) and H1 (Tax Incentives → Investment) display the largest standardized effects, while the significant H5 interaction and H6 moderated-mediation index support the conditional-process structure of the proposed model.

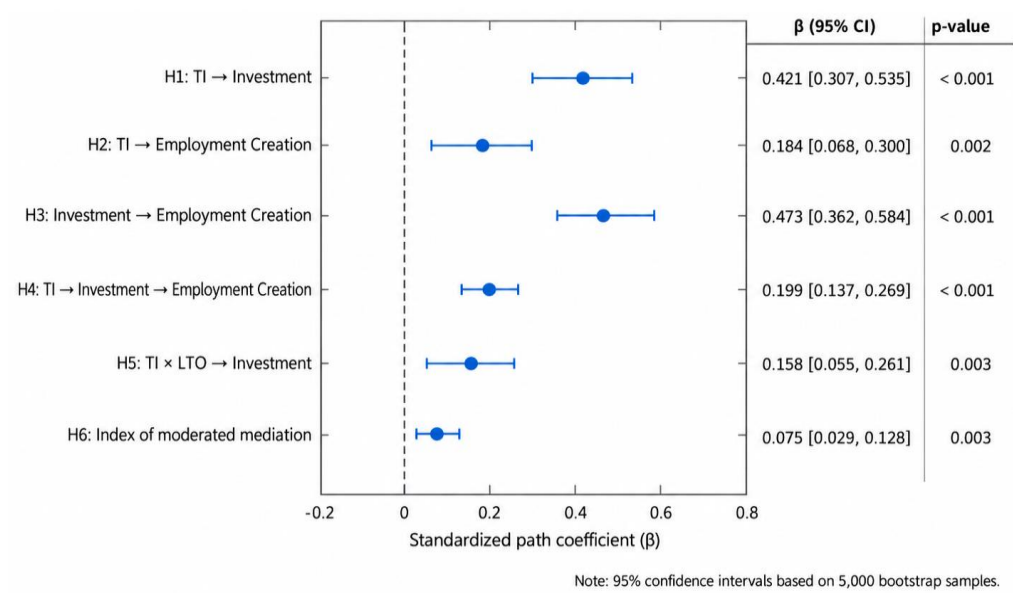


Figure 6. Bootstrap Estimates and Confidence Intervals for the Structural Paths.

Discussion

The results are in favor of the hypothesized connections between tax incentives, investment, employment creation, and long-term orientation of the business in family businesses. The magnitude of the positive relationship between tax incentives and capital spending is in line with previous evidence that has shown that lowering the effective cost of capital could spur companies to increase their capital expenditures. The impact of these types of measures on capital spending in various institutional settings is shown to be significant in previous studies (Zwick & Mahon, 2017; Ohm, 2018, 2019; Liu & Mao, 2019; Maffini et al., 2019). Similar results are found by Chen et al. (2021), who show that changes in taxes have the power to affect corporate R&D investment decisions. But fiscal incentives are not necessarily effective. Cui et al. (2022) found relatively weak investment reactions when eligible firms took relatively small advantage of accelerated-depreciation benefits. The results of this study are thus in line with the general literature that indicates that tax incentive effectiveness depends on availability as well as the policy environment of the firm and its actual implementation of the tax incentive.

The finding that tax incentives seem to have a positive impact on employment, combined with the fact that the employment impact of investment is generally more positive than that of other measures, suggests that the impact of tax incentives is more likely to be tangible when they create real productive expansion. Neumark and Grijalva (2017) demonstrate that well-designed hiring tax credits can boost employment; Slaterry and Zidar (2020) highlight direct employment impacts of a variety of business incentives, though their broader impacts on regional economic growth are not as clear. Zhao and Fang (2022) also show that fiscal incentives on investment can

affect firms' hiring of skilled labor when capital and skilled labor are complements in production. Mediation effect seen in the present study is in line with the results obtained here. The initial impact of tax relief can be on investment and production, and the employment impact can follow later as firms increase production, operational activity and employment. This indicates that investment is also a key channel by which fiscal incentives can, in the end, help create jobs.

The other significant finding of the study is related to the orientation towards long-term ownership. The positive moderating effect implies that family firms with higher future-oriented ownership priorities are more likely to be responsive to tax incentives, by raising their productive investment. This interpretation aligns with the findings of previous studies which have shown that long-term orientation can serve as a strategic tool to facilitate proactive and future-oriented organizational actions (Seyed Kalali, 2022; Schepers et al., 2020). The findings are also aligned with the Socioemotional Wealth perspective, which considers that family-related goals can influence the strategic, financial, and value-creating decisions made in these family-controlled firms (Razzak et al., 2019; Martínez-Romero et al., 2020; Baixauli-Soler et al., 2021). However, do not consider family businesses to be a homogeneous organizational type. Previous research and measurement-oriented studies highlight significant variations in the socio-emotional priorities, family goals and decisionmaking time horizons across family businesses (Swab et al., 2020; Gómez-Mejía & Herrero, 2022; Chen et al., 2022). Thus, the approach of measuring long-term ownership orientation is more theoretically defensible than that of positing that all family-owned firms have an equally high level of long-term orientation.

The moderated-mediation results also confirm that fiscal incentives can have various effects on investment and employment in family businesses. The extent to which ownership time horizons differ will help to explain whether tax-related saving goes toward productive investment or toward alternative uses. But family firms with more long-term orientations might be more likely to allocate the financial gains to productive capacity, technology, expansion and other growth-oriented uses, while the firms with shorter decision horizons might be more inclined to allocate the same resources to less growth-oriented uses. The family ownership of the firms has been found to have different outcomes in Pakistan including in terms of investment efficiency, governance quality, firm performance, liquidity and the effect of board and governance structures, which is why the conditional perspective is particularly relevant (Shahzad et al., 2019; Ullah et al., 2021; Jadoon et al., 2021; Abdullah et al., 2022; Amin et al., 2022). Results of the survey studies conducted in Pakistan also show that the socioemotional-wealth dimensions are linked to strategic pathways and organizational performance (Chang & Mubarik, 2022). The present results thus contribute to the existing literature on the family business by providing empirical evidence on the role of ownership orientation in driving fiscal policy transmission effects from tax incentives to productive investments, and eventually to job creation.

Conclusion

This research offers a holistic understanding of the linkages between tax incentives, investments, job creation and long-term orientation of ownership in family firms in Pakistan. The study integrates the concepts of Neoclassical Investment Theory, Socioemotional Wealth Theory and the Long-Term Orientation Perspective to go beyond the issue of whether tax incentives have a direct effect on firm-level economic outcomes. Rather, it also spells out how such incentives may impact employment and when such impacts can have more impact when the incentives are in the hands of the owner.

The results highlight the importance of investment as a channel of effect from fiscal incentives to job creation. Tax breaks have the potential to make investment more attractive to firms, thereby enhancing their financial resources, but employment gains rely heavily on how those resources are put to work. Tax-related savings can be invested in productive investment, technological improvement, new production facilities, capacity expansion, market development and other growth oriented activities, which can, in turn, expand the labor demand. Thus, the study raises the awareness that the impact of fiscal incentives on the economy can not be properly appreciated solely based on their direct effects. Their overall employment effects will rely on whether a business uses fiscal benefits for productive activity.

The family orientation of ownership is another factor that contributes to the difference in response to comparable fiscal incentives between family and non-family firms. The continuity, patient capital, reputation, intergenerational succession, family legacy, and long-term value creation characteristics of family businesses may make them more likely to reinvest tax-related financial gains instead of spending them on short-term purposes. Consequently, these companies can produce more positive jobs and investment impacts down the stream. The importance of long-term ownership orientation as a moderating factor thus echoes the notion that family-owned firms are not homogeneous and that the differences in the ownership time horizon may influence the impact of same government policies.

The results imply that tax incentives might be more effective for Pakistan's policymakers when the design of the incentive system is made to incentivize verifiable productive investment, expansion, capacity building, and job creation, rather than tax relief without investment goals. There is some potential to boost the chance of tax savings being realized in real economic terms, by tying fiscal support to productive business activity. The study thus highlights the need for fiscal policy design which matches government incentives with family business long-term investment goals to enhance the potential role of family businesses in sustainable investments and job creation.

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