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Original Paper

The Impact of Economic Policy Uncertainty on Firm Performance: Based on a Study of Listed Manufacturing Companies

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Abstract

Policy uncertainty has created unprecedented challenges for businesses. Taking the A-share listed companies in Shenzhen and Shanghai from 2011 to 2022 as research samples, this paper examines the impact of economic policy uncertainty on firm performance and its mechanism. The results show that economic policy uncertainty can significantly inhibit the improvement of firm performance, and the conclusion is still valid after a series of robustness tests. The mechanism test shows that financing constraints and R&D investment are the important mediators of economic policy uncertainty inhibiting firm performance improvement. Heterogeneity test shows that the inhibitory effect of economic policy uncertainty on firm performance is more significant in private enterprises and enterprises with low ownership concentration. It provides theoretical support and practical guidance for enterprises' scientific decision-making and government's policy making.

Keywords

economic policy uncertainty, enterprise performance, financing constraints, ownership concentration

Introduction

In the context of globalization and economic integration, governments around the world have been constantly adjusting and improving their economic policies in response to the complex and ever-changing economic situation. However, such frequent adjustments and policy uncertainties have brought unprecedented challenges to enterprises. Especially for my country's listed manufacturing companies, as the pillar industry of the national economy, they not only face fierce competition in domestic and foreign markets, but also need to deal with the uncertainty of the policy environment. Therefore, in-depth exploration of the impact of economic policy uncertainty on corporate performance

is of great significance for guiding enterprises to make scientific decisions and enhance market competitiveness.

In recent years, China's economy has maintained a sustained and stable development trend, but the complexity and uncertainty of the domestic and international economic environment are also increasing (Gong, 2021). In order to cope with these challenges, the government has continuously introduced and adjusted economic policies to stabilize economic growth, optimize industrial structure, promote employment, etc. However, the frequent changes and uncertainty of these policies have brought difficulties to the business decision-making of enterprises. On the one hand, it is difficult for enterprises to accurately predict the future direction and impact of policies, resulting in hesitation and conservatism in investment decisions (Liu, Zhang, & Liu, 2022); on the other hand, policy adjustments may be accompanied by changes in systems, regulations and taxes, which will increase the operating costs of enterprises and affect their performance (Jiang, Xu, & Liu, 2021). As an important part of the national economy, the operating performance of China's listed manufacturing enterprises is not only related to the survival and development of enterprises, but also to the stability and development of the entire national economy (Yang & Liu, 2020). Therefore, this study aims to make up for the shortcomings of existing research and explore the impact of economic policy uncertainty on corporate performance and its mechanism from the perspective of China's listed manufacturing enterprises. This study has important practical significance for understanding the strategies of enterprises to deal with policy uncertainty and improving corporate performance.

The possible research contributions of this paper mainly include: first, this paper reveals the impact of EPU on corporate performance and its influence channels, enriching the research literature in the field of economic consequences and influencing factors; second, it reveals the heterogeneous characteristics of EPU in inhibiting corporate performance; finally, it provides inspiration for the government to improve relevant policies and for enterprises to improve performance.

1. Theoretical Analysis and Research Hypotheses

The impact of EPU on corporate performance can be analyzed from the following two aspects. On the one hand, economic policy uncertainty affects corporate performance by alleviating the financing constraints faced by enterprises. First, economic policy uncertainty will lead to increased volatility and uncertainty in the capital market. This makes it more difficult for investors to predict policy changes, thereby reducing their willingness to provide financing to enterprises (Jia & Jin, 2024). Second, due to economic policy uncertainty, investors' risk assessment increases, and therefore require higher rates of return to compensate for possible losses. This leads to an increase in the financing costs of enterprises, further compressing the profit margins of enterprises (Wu & Yang, 2024). In addition, in an environment of high uncertainty, banks and other financial institutions will be more cautious in evaluating corporate credit applications. This may lead to an increase in credit tightening, making it difficult for enterprises to obtain the funds they need to support their operations and development, and

exacerbating the degree of financing constraints faced by enterprises (Duan, Zhang, & Liu, 2024). Furthermore, financing constraints limit the source of funds for enterprises, making it impossible for enterprises to fully grasp investment opportunities when faced with them. This may cause enterprises to miss opportunities to expand production scale and increase market share, thereby reducing their performance (Shi, Tang, & Wang, 2024). In addition, financing constraints limit the investment of enterprises in R&D and innovation. Innovation is the key to improving an enterprise's competitiveness, but a lack of financial support will make it difficult for an enterprise to carry out effective R&D activities, thereby weakening its market competitiveness (Dai, 2024).

On the other hand, economic policy uncertainty affects corporate performance by reducing corporate R&D investment. First, the frequent changes and uncertainty of economic policies make it difficult for companies to predict future development, which in turn affects their decision-making on R&D investment (Wei & Zhu, 2024). In an uncertain environment, companies tend to be more cautious and conservative and are unwilling to take risks in large-scale R&D activities. Second, economic policy uncertainty increases the risk cost of companies, requiring them to evaluate the impact of policy changes on technological innovation and market demand before investing a lot of resources in R&D. This evaluation and decision-making process often takes a lot of time and energy, making companies slow to respond to R&D investment (Wang & Zeng, 2023). Then, economic policy uncertainty and market instability may reduce investors' confidence in small and medium-sized enterprises, narrow financing channels, and limit the ability of companies to invest in R&D (Chen, Ma, & Hui, 2023). Reduced R&D investment means that companies have less investment in technological innovation and product development, which may cause companies to miss market opportunities and reduce their competitiveness (Wu, 2024). R&D investment is one of the key factors for the long-term development of companies. Reduced R&D investment will affect the company's innovation ability, product quality and market competitiveness, thereby inhibiting the improvement of corporate performance (Wang & Chen, 2024). The reduction of R&D investment may lead to a reduction in the accumulation of intangible assets and intellectual property rights of enterprises, reducing the market value and long-term profitability of enterprises (Zhou & Yang, 2024). Therefore, based on the above analysis, this paper proposes the following hypothesis:

H: Economic policy uncertainty significantly inhibits the improvement of corporate performance

2. Research Design

2.1 Sample Selection and Data Sources

This study selected Shenzhen and Shanghai A-share listed companies from 2011 to 2022 as the research sample, and the original data mainly came from the CSMAR database. In the data screening process, listed companies in the financial industry and those companies that were specially treated (ST and *ST) were excluded. At the same time, companies with less than one year of listing time and observations with missing variable data were not included. After this series of rigorous screening, the

annual observation data of 20,677 companies were finally determined. In order to ensure the accuracy and reliability of the regression results, all continuous variables were further winsorized , specifically at the extreme value level of 1% . This step aims to reduce the possible interference of extreme values on the overall regression results.

2.2 Variable Definitions

2.2.1 Explained Variables

Corporate performance (ROA). This paper draws on the research method of Xu and Yu (2023) to truly reflect the company's profitability, competitiveness and development capabilities. ROA is used to measure the company's performance level, that is, the ratio of the company's net profit to its average total assets.

2.2.2 Explanatory Variables

Economic policy uncertainty (EPU). This paper refers to the monthly index of economic policy uncertainty calculated by Baker, Bloom and Davis (2016). That is, by measuring the number of keywords such as "uncertainty", "economy" and "policy" in China's South China Morning Post, and assigning weights, the monthly index of China's economic policy uncertainty is obtained. The larger the value, the higher the economic policy uncertainty in that year.

2.2.3 Control Variables

This article selects the following control variables: enterprise size (Size), debt repayment ability (Lev), tangible assets ratio (Tangible), development ability (Growth), independent director ratio (Indep), dual positions in one (Dual), book-to-market ratio (BM), price-to-book ratio (PB) and Tobin's Q value (TobinQ).

Table 1. Variable Definition Table

Variable Types	Variable Name	Variable Symbols	definition
Explained variable	Business Performance	ROA	Ratio of net profit to average total assets
Explanatory variables	Economic policy uncertainty	EPU	Natural logarithm of China's annual economic policy uncertainty index
Control variables	Enterprise scale	Size	The natural logarithm of the total assets of the enterprise at the end of the period
	Debt Solvency	Lev	The ratio of total liabilities to total assets at the end of the year
	Percentage of tangible assets	Tangible	Ratio of tangible assets to total assets
	Development	Growth	The growth rate of the company's operating

	Capabilities		income in this period
	Proportion of independent directors	Indep	Proportion of independent directors on the board of directors
	Two jobs in one	Dual	If there are two positions combined, the value is 1, otherwise the value is 0
	Book-to-Market Ratio	BM	The ratio of stock market price to book value per share
	Price to Book Ratio	PB	The ratio of the share price to the net asset value per share
	Tobin's Q	TobinQ	The ratio of an asset's market value to its replacement value

2.3 Model Settings

In order to examine the impact of economic policy uncertainty on corporate performance, this paper constructs a regression model (1) to test hypothesis H:

$$ROA_{i,t} = \beta_0 + \beta_1 HNEPU_{i,t} + \beta_2 Controls_{i,t} + \mu_i + \varepsilon_{i,t} \quad (1)$$

Among them, Controls represents the control variables, μ_i represents the individual fixed effects of enterprises, and $\varepsilon_{i,t}$ represents the regression residual.

3. Empirical Results and Analysis

3.1 Descriptive Statistics

The descriptive statistics of the variables are shown in Table 2. As can be seen from the table, the standard deviation of economic policy uncertainty (HNEPU) is 235.1, and the extreme values vary greatly, indicating that there are significant differences in economic policy uncertainty each year, which may have a significant impact on corporate performance. At the same time, the maximum value of the return on total assets (ROA) that measures corporate performance is 1.285, and the minimum value is -0.743, indicating that there are significant differences in the return on total assets levels among various companies, which is researchable. The results of other control variables are generally consistent with the results of Xu and Yu (2023), and will not be discussed in detail here.

Table 2. Descriptive Statistics

VARIABLES	N	mean	sd	min	max
HNEP	20,677	467.6	235.1	113.9	791.9
Size	20,677	22.00	1.162	19.29	27.62
Lev	20,677	0.366	0.185	0.00752	1.718

ROA	18,948	0.0500	0.0699	-0.743	1.285
Tangible	13,530	0.917	0.0836	0.189	1
Growth	18,946	0.297	7.906	-0.911	944.1
Indep	20,675	37.70	5.486	14.29	80
Dual	20,677	0.348	0.476	0	1
BM	20,424	0.602	0.229	0.0443	1.468
PB	20,416	3.640	3.536	4.30e-05	215.4
TobinQ	20,424	2.058	1.337	0.681	22.57

3.2 Correlation Coefficient Analysis

The correlation coefficients between the variables are shown in Table 3. From the data in Table 3, it can be observed that HNEPU and ROA are significantly negatively correlated at the 1% significance level. This finding preliminarily verifies the rationality of hypothesis H. At the same time, the absolute values of the correlation coefficients of other variables are analyzed and it is found that they are generally lower than the threshold of 0.6, which shows that there is no significant multicollinearity problem between the variables. Further combined with the variance inflation factor indicator analysis in the regression model, it can be confirmed that the adverse effects of multicollinearity on the regression results have been basically eliminated.

Table 3. Correlation Coefficient Table

	ROA	HNEP	Size	Lev	Tangible	Growth	Indep	Dual	BM	PB	TobinQ
ROA	1										
HNEP	-0.026***	1									
Size	0.025***	0.11***	1								
Lev	-0.35***	0.016*	0.53***	1							
Tangible	0.068***	-0.15***	0.029***	0.054***	1						
Growth	0.31***	-0.061***	0.057***	0.055***	-0.18***	1					
Indep	-0.014	0.059***	-0.015*	-0.0070	-0.025**	0.0012	1				
Dual	0.029***	0.073***	-0.19***	-0.12***	-0.058***	0.040***	0.11***	1			

BM	-0.29***	0.062***	0.37***	0.30***	0.061***	-0.12***	-0.026***	-0.085***	1		
PB	0.27***	-0.050***	-0.27***	-0.13***	-0.021*	0.19***	0.039***	0.11***	-0.73***	1	
TobinQ	0.30***	-0.039***	-0.22***	-0.24***	-0.032***	0.11***	0.027***	0.045***	-0.44***	0.48***	1

3.3 Benchmark Regression Analysis

Table 4 gives the baseline regression results of model (1). In the unadjusted column (1), the regression relationship between economic policy uncertainty (HNEPU) and corporate performance (ROA) is first considered separately. Subsequently, in column (2), control variables are further included to more comprehensively analyze their impact on the relationship between HNEPU and ROA. In both columns, the coefficient of economic policy uncertainty (HNEPU) shows a significant negative correlation at the 1% level. This result clearly shows that as economic policy uncertainty increases, corporate performance may be negatively affected, further confirming that economic policy uncertainty is one of the factors affecting the decline in corporate performance.

Table 4. Basic Regression Results

	(1)	(2)
VARIABLES	ROA	ROA
HNEP	-0.000***	-0.000***
	(-3.61)	(-3.82)
Size		0.018***
		(39.60)
Lev		-0.158***
		(-54.93)
Tangible		0.104***
		(19.90)
Growth		0.052***
		(37.85)
Indep		-0.000***
		(-5.31)
Dual		-0.000
		(-0.30)
BM		-0.037***
		(-10.43)

PB		0.005***
		(13.44)
TobinQ		-0.003***
		(-3.22)
Constant	0.053***	-0.362***
	(55.30)	(-33.87)
individual	yes	yes
Observations	18,948	12,694
R-squared	0.001	0.361
Adjust ^{R2}	0.000635	0.360

3.4 Robustness Test

3.4.1 Replace the Main Variables

First, replace the explanatory variables. Drawing on the research of Xu and Yu (2023), Steven J. Davis, Liu Dingqian and Sheng Xuguang compiled the China Economic Policy Uncertainty Index based on mainland newspapers to replace the China Economic Policy Uncertainty Index compiled by this paper based on the South China Morning Post. Second, replace the explained variable, and replace the return on total assets (ROA) with the return on net assets (ROE). Using the above method of replacing variables, the results are shown in Table 5. After replacing the two main variables, the regression coefficients still show a significant negative correlation, and the research conclusions are highly robust.

Table 5. Replacement of Main Variables

	(1)	(2)
VARIABLES	ROA	ROE
HNEP		-0.000***
		(-5.18)
NDEPU	-0.000*	
	(-1.82)	
Size	0.018***	0.033***
	(39.32)	(39.45)
Lev	-0.158***	-0.174***
	(-54.88)	(-32.86)
Tangible	0.106***	0.181***
	(20.26)	(18.78)
Growth	0.052***	0.093***
	(38.04)	(37.16)

Indep	-0.000***	-0.001***
	(-5.40)	(-5.04)
Dual	-0.000	0.000
	(-0.47)	(0.08)
BM	-0.037***	-0.082***
	(-10.37)	(-12.49)
PB	0.005***	0.007***
	(13.49)	(10.31)
TobinQ	-0.003***	-0.008***
	(-3.26)	(-5.12)
Constant	-0.360***	-0.692***
	(-33.74)	(-35.16)
individual	yes	yes
Observations	12,694	12,694
R-squared	0.360	0.268
Adjust ^{R2}	0.360	0.267

3.4.2 Period Selection Transformation

During the period from 2018 to 2020, my country's economy was hit by the dual impact of the Sino-US trade friction and the COVID-19 pandemic, and it was subjected to unprecedented tests. In order to ensure the robustness of the study, the data from this special period were excluded and further tests were conducted. As shown in Table 6, after excluding the impact of these extreme events, the relationship between HNEPU and ROA is still significantly negative, and this relationship is confirmed at the significance level of 1%, which further confirms the negative impact of economic policy uncertainty on corporate performance. The regression results show that the negative correlation is still significant when the sample interval is changed, and the research conclusions are highly robust.

Table 6. Adjustment Sample Period

	(1)	(2)
VARIABLES	ROA	ROA
HNEP	-0.000***	-0.000***
	(-3.80)	(-8.79)
Size		0.019***
		(37.14)
Lev		-0.156***
		(-49.94)

Tangible		0.104***
		(16.83)
Growth		0.045***
		(30.77)
Indep		-0.000***
		(-4.71)
Dual		0.001
		(0.71)
BM		-0.040***
		(-9.73)
PB		0.005***
		(13.20)
TobinQ		-0.004***
		(-4.04)
Constant	0.054***	-0.375***
	(52.83)	(-30.65)
individual	yes	yes
Observations	13,294	9,486
R-squared	0.001	0.364
Adjust ^{R2}	0.00101	0.364

3.4.3 Endogeneity Problem

There are large differences in the economic development levels among provinces in my country, and the economic cycle fluctuations in the regions where listed companies are located may also have a certain impact on the regression results. In order to more comprehensively analyze the relationship between HNEPU and ROA, this paper incorporates regional development factors into the model and re-regresses by controlling regional fixed effects. As shown in Table 7, even after considering regional differences, the regression coefficient between HNEPU and ROA still maintains a negative correlation at the 1% significance level. This result once again verifies the main conclusion of this paper and shows the robustness of the research.

In addition, given the hysteresis characteristics of the real economy, this paper also uses economic variables lagged by one period for regression analysis. As shown in Table 7, even after the variables are lagged, the regression coefficient between HNEPU and ROA is still significantly negatively correlated, maintaining a significance level of 1%. Although the coefficients of other variables have changed slightly, the overall conclusion remains consistent with the previous one, further enhancing the reliability of the study.

Table 7. Endogeneity Problems

	(1)	(2)	(3)	(4)
VARIABLES	ROA	ROA	ROA	ROA
HNEP	-0.000***	-0.000***		
	(-3.50)	(-3.62)		
LEPU			-0.000**	-0.000 ***
			(-2.45)	(-3.68)
Size		0.018***		0.016***
		(39.73)		(23.49)
Lev		-0.154***		-0.156***
		(-53.82)		(-37.65)
Tangible		0.107***		0.101***
		(20.49)		(13.82)
Growth		0.052***		0.053***
		(38.39)		(28.65)
Indep		-0.000***		-0.000***
		(-5.46)		(-4.25)
Dual		-0.000		-0.002
		(-0.03)		(-1.30)
BM		-0.037***		-0.031***
		(-10.45)		(-6.06)
PB		0.005***		0.005***
		(14.00)		(9.30)
TobinQ		-0.003***		-0.002
		(-3.66)		(-1.50)
individual	yes	yes	yes	yes
area	yes	yes	no	no
Constant	0.065***	-0.359***	0.054***	-0.323***
	(24.46)	(-33.31)	(39.14)	(-20.12)
Observations	18,948	12,694	9,638	6,391
R-squared	0.015	0.368	0.001	0.354
Adjust ^{R2}	0.0145	0.368	0.000516	0.353

3.5 Mechanism Testing: Impact Path Analysis

Through the benchmark regression analysis, it is found that HNEPU has a significant inhibitory effect

on ROA. So, through what channel does EPU inhibit ROA ? In order to verify the correctness of the theoretical logic mentioned above, this paper draws on the two-step method proposed by Jiang (2022) and constructs the following model to test the impact path of economic policy uncertainty on corporate performance:

$$Mi,t = \beta 0 + \beta 1 HNEPUi,t + \beta 2 Controlsi,t + \mu i + \varepsilon i,t \quad (3)$$

$$ROAi,t = \alpha 0 + \alpha 1 Mi,t + \alpha 2 Controlsi,t + \mu i + \varepsilon i,t \quad (4)$$

Among them, Mi,t is the mediating variable, including financing constraints (WW) and R&D investment (RD). Formula (3) tests the impact of economic policy uncertainty on the two mediating variables, and formula (4) is used to test the role of mediating variables on corporate performance. The regression results are shown in Table 8.

From the detailed data analysis of Table 8, several significant trends can be observed. First, the data in columns (1) and (3) reveal that there is a direct link between the increase in economic policy uncertainty and the deepening of financing constraints, and this uncertainty also leads to a significant reduction in R&D investment. Furthermore, the data in column (2) show that as financing constraints intensify, the overall performance of enterprises has shown a downward trend. In column (4), it is found that when the R&D investment of enterprises decreases, the improvement of their performance is also significantly limited. Combining these observations, it can be concluded that financing constraints and the reduction of R&D investment are the key mediating factors that negatively affect the performance of enterprises due to economic policy uncertainty.

Table 8. Mechanism Test

	(1)	(2)	(3)	(4)
VARIABLES	WW	ROA	RD	ROA
HNEP	0.000***		-0.000***	
	(22.28)		(-25.54)	
WW		-0.488***		
		(-41.10)		
RD				0.046**
				(2.42)
Size	-0.050***	-0.007***	-0.000	0.016***
	(-162.22)	(-10.39)	(-1.29)	(40.27)
Lev	0.047***	-0.122***	0.005***	-0.145***
	(24.54)	(-47.85)	(4.91)	(-57.21)
Tangible	-0.017***	0.077***	-0.016***	0.100***
	(-4.56)	(15.82)	(-7.33)	(20.37)

Growth	-0.047***	0.032***	-0.002***	0.057***
	(-44.32)	(21.90)	(-3.43)	(39.97)
Indep	0.000***	-0.000***	-0.000	-0.000***
	(3.17)	(-3.99)	(-1.45)	(-5.71)
Dual	-0.000	0.001	-0.001***	-0.001
	(-0.10)	(1.26)	(-4.23)	(-0.79)
BM	0.002	-0.039***	0.014***	-0.038***
	(0.68)	(-10.93)	(8.93)	(-10.25)
PB	-0.002***	0.004***	-0.001***	0.005***
	(-6.27)	(10.96)	(-7.06)	(15.11)
TobinQ	0.001*	-0.003***	0.001**	-0.005***
	(1.88)	(-3.69)	(2.19)	(-4.95)
Constant	0.078***	-0.288***	-0.004	-0.329***
	(10.47)	(-29.66)	(-0.97)	(-33.06)
individual	yes	yes	yes	yes
Observations	11,502	11,502	12,694	12,694
R-squared	0.770	0.461	0.109	0.382
Adjust ^{R2}	0.770	0.460	0.108	0.382

3.6 Further Analysis: Heterogeneity Test

3.6.1 Test for Heterogeneity of Property Rights

The nature of property rights plays an important role in the process of economic policy uncertainty inhibiting corporate performance. Due to their special property rights, state-owned enterprises often have a more stable operating environment and more policy support, so they may be relatively less affected when facing economic policy uncertainty. Non-state-owned enterprises may be more affected when facing economic policy uncertainty because they lack these advantages.

When considering the potential impact of different property rights on corporate performance between state-owned enterprises and private enterprises, this paper conducted a group test. As shown in Table 9, when comparing enterprises with different property rights, the regression coefficient between economic policy uncertainty and corporate performance in state-owned enterprises did not show significance, while in private enterprises, the regression coefficient showed a negative relationship at the 5% significance level. This finding reveals that state-owned enterprises can more effectively resist the negative impact of economic policy uncertainty due to their political and economic advantages. In contrast, private enterprises, due to the lack of these advantages, have more significant fluctuations in corporate performance when facing the impact of economic uncertainty. This further emphasizes the importance of property rights in enterprises' response to changes in the external economic environment.

Table 9. Test for Heterogeneity of Property Rights

	(1)	(2)
VARIABLES	State-owned enterprises	Private Enterprise
HNEP	0.000	-0.000**
	(0.96)	(-2.43)
Size	0.016***	0.017***
	(32.03)	(23.69)
Lev	-0.136***	-0.128***
	(-48.06)	(-26.76)
Tangible	0.102***	0.071***
	(18.42)	(6.01)
Growth	0.056***	0.061***
	(33.07)	(21.31)
Indep	-0.000***	-0.000***
	(-4.27)	(-3.20)
Dual	-0.002**	0.004*
	(-2.31)	(1.75)
BM	-0.040***	-0.042***
	(-8.50)	(-6.09)
PB	0.006***	0.003***
	(14.98)	(3.95)
TobinQ	-0.007***	-0.001
	(-5.47)	(-0.42)
Constant	-0.317***	-0.312***
	(-25.70)	(-17.22)
individual	yes	yes
Observations	9,163	3,232
R-squared	0.368	0.440
Adjust ^{R2}	0.368	0.439

3.6.2 Heterogeneity of Equity Concentration

As the concentration of equity increases, the supervision of enterprises by major shareholders will be strengthened, which will in turn promote the management of enterprises to make more wise and reasonable decisions. When facing economic policy uncertainty, major shareholders with relatively concentrated equity will be more cautious in considering the micro-behavior of enterprises. Such cautious decision-making helps enterprises better cope with fluctuations in the policy environment and

reduce unnecessary risks, thereby alleviating the inhibitory effect of economic policy uncertainty on corporate performance.

This paper divides the sample into a low equity concentration group and a high equity concentration group based on the median shareholding ratio of the top five shareholders. Through comparative regression analysis, the impact of economic policy uncertainty on corporate performance under different equity concentrations is compared, as shown in Table 10. The results show that under low equity concentration, the negative effect of economic policy uncertainty on corporate performance is more significant; while in the high equity concentration group, this inhibitory effect is relatively weak. The findings show that when equity concentration is low, the inhibitory effect of economic policy uncertainty on corporate performance is more prominent. Therefore, it is believed that lower equity concentration may aggravate the negative impact of economic policy uncertainty on corporate performance.

Table 10. Heterogeneity Test of Equity Concentration

	(1)	(2)
VARIABLES	Low equity concentration	High equity concentration
HNEP	-0.000***	- 0.000*
	(-4.97)	(-1.68)
Size	0.018***	0.017***
	(27.16)	(27.54)
Lev	-0.142***	-0.150***
	(-32.76)	(-37.01)
Tangible	0.092***	0.108***
	(12.62)	(14.67)
Growth	0.056***	0.046***
	(29.02)	(24.53)
Indep	-0.001***	-0.000*
	(-6.23)	(-1.83)
Dual	-0.002	0.000
	(-1.42)	(0.10)
BM	-0.033***	-0.054***
	(-6.87)	(-10.38)
PB	0.000	0.006***
	(0.35)	(12.90)
TobinQ	0.006***	-0.006***
	(4.13)	(-4.88)

Constant	-0.364***	-0.331***
	(-23.26)	(-22.89)
individual	yes	yes
Observations	7,126	5,568
R-squared	0.340	0.380
Adjust ^{R2}	0.340	0.379

4. Conclusion and Suggestion

This paper takes Shenzhen and Shanghai A-share listed companies from 2011 to 2022 as the research object, and deeply explores the specific impact of economic policy uncertainty on corporate performance and its mechanism. After careful research and analysis, the results show that economic policy uncertainty has a significant inhibitory effect on the improvement of corporate performance, and this conclusion remains after a series of robustness tests. Further mechanism tests reveal that financing constraints and R&D investment play an important mediating role in the process of economic policy uncertainty inhibiting corporate performance. In addition, heterogeneity tests find that private enterprises and enterprises with low equity concentration are more significantly inhibited by economic policy uncertainty.

Based on the above research conclusions, the following are some policy recommendations for policymakers and enterprises: First, stabilize the economic policy environment. When formulating and revising economic policies, the government should fully consider the long-term impact of policies and avoid frequent adjustments in the short term. Establish and improve policy communication and feedback mechanisms, convey policy information to enterprises in a timely manner, and reduce information asymmetry. Second, ease financing constraints. Optimize the structure of the financial market, broaden corporate financing channels, and reduce financing costs. Strengthen support for financing of small and medium-sized enterprises, such as setting up special lending institutions and providing guarantees. Encourage the development of a multi-level capital market to provide enterprises with more direct financing options. Third, encourage corporate R&D investment. Increase tax incentives and fiscal subsidies for R&D activities to reduce corporate R&D costs. Establish a sound intellectual property protection system to protect corporate innovation achievements and investment returns. Encourage industry-university-research cooperation to promote the transformation and industrialization of scientific and technological achievements .

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