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Research on the Impact of Geopolitical Risk on the Value of Chinese Listed

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Abstract

China has entered a stage of high-quality development. With the continuous advancement of high-level opening-up, the external environment increasingly exerts a substantial impact on China's economic development. Geopolitical risk stands as a significant factor among these influences. Given the important role that geopolitical activities play in corporate financial decisions-such as cash reserves, investment and financing, and research and innovation-this paper analyzes the impact of geopolitical risk on the value of Chinese listed enterprises and its underlying mechanisms. Using annual data from Chinese A-share listed companies from 2006 to 2024, this study examines the effect of the geopolitical risk index on corporate value in China and explores the mechanisms involved. The empirical results indicate that: (1) There is a significant negative correlation between the geopolitical risk index and the value of Chinese listed companies, suggesting that an increase in geopolitical risk significantly reduces corporate value. (2)The mediation mechanism test results show that geopolitical risk suppresses corporate value by exacerbating financing constraints.

Keywords

Geopolitical Risk; Corporate Value; Financing Constraints.

1. Introduction

Since the 9/11 terrorist attacks, global geopolitical risk events have been on the rise. Caldara and Iacoviello (2022) define geopolitical risk as "the risks associated with wars, acts of terrorism, and tensions between states that affect the normal and peaceful course of international relations." In the era of globalization, geopolitical risk has become one of the major threats and challenges facing management, business, and enterprises. Currently, the development of China's listed enterprises faces numerous problems and challenges, including internal operational issues and the complex international environment externally. In recent years, adverse geopolitical events such as the Sino-U.S. trade conflict and the Russia-Ukraine war have occurred frequently, leading to a sharp increase in geopolitical risk. Geopolitical risk has surpassed cyber risk and is recognized as the most significant global corporate risk in 2020. Therefore, studying geopolitical risk is of great significance for the high-quality development of China's listed enterprises.

Compared to traditional political uncertainty,such as short-term fluctuations caused by regional election cycles or domestic policy adjustments-geopolitical risk exhibits more significant spatiotemporal extensibility. Its impact often transcends national borders and is transmitted through multiple channels such as trade, capital, and supply chains. At the same time, such risks are typically rooted in structural contradictions between nations and may evolve into long-term tensions that persist for years or even decades. Corporate value, in essence, is the present value of a company's future free cash flows discounted at the weighted average cost of capital. This valuation method comprehensively reflects the time value of

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money, risk premiums, and the company's ability to operate sustainably. As an important source of external uncertainty, geopolitical risk systematically affects corporate value by altering the market environment and corporate expectations.

Based on this, this paper utilizes the geopolitical risk index to systematically examine the impact of geopolitical uncertainty on the value of Chinese listed companies. Furthermore, it investigates the mechanisms through which geopolitical risk influences corporate value via corporate financial activities and management decisions. The aim is to provide theoretical and empirical support for mitigating the impact of geopolitical risk on the value of Chinese enterprises and promoting their sustained high-quality development in the face of a complex and ever-changing international landscape.

2. Organization of the Text

2.1. Research on the Impact of Geopolitical Risk on Enterprises

The impact of geopolitical risk on enterprises has long transcended the simplistic binary framework of "war and peace," evolving into a multidimensional and interconnected complex system of challenges. Geopolitical risk exacerbates the financing constraints faced by enterprises by amplifying uncertainty in the macroeconomic and political environment. Pástor and Veronesi (2013) note that in emerging market countries, investors demand higher risk premiums due to political uncertainty, leading to increased costs for both equity and debt financing for enterprises. Rising geopolitical risk intensifies investor risk aversion, prompting capital to flow from emerging markets to mature markets, thereby elevating equity financing costs for enterprises in emerging markets (Carney et al., 2024). At the same time, heightened uncertainty leads commercial banks to adopt stricter lending conditions, restrict credit growth to reduce non-performing loans and raise interest rates, thereby increasing corporate debt costs. Additionally, geopolitical risk exacerbates information asymmetry between enterprises and lending institutions (Mokdadi and Saadaoui, 2023). Cuculiza et al. (2020) demonstrate that forecasts issued by local analysts in regions where geopolitical risks (such as attacks) originate are relatively pessimistic compared to consensus forecasts, reducing the accuracy of earnings predictions and further limiting corporate financing capabilities. Khoo (2021) finds that geopolitical uncertainty significantly constrains corporate financing decisions, affecting their financing scale, maturity, and sources. In particular, the resulting increase in financing costs prompts enterprises to actively reduce their debt financing scale, thereby lowering their book leverage levels. Notably, emerging market countries are more vulnerable to geopolitical risk. Pringpong's (2023) empirical research shows that geopolitical risk significantly negatively impacts corporate value in emerging markets, and this impact primarily stems from country-specific geopolitical risk rather than global systemic GPR. As a significant emerging market, China’s corporate value and operational decisions are inevitably profoundly affected by its specific geopolitical risks.

2.2. Research Hypotheses

Against the backdrop of accelerating changes unseen in a century globally, geopolitical risk continues to fluctuate at high levels. The systemic uncertainty it triggers profoundly alters the risk expectations and decision-making patterns of various economic entities, thereby exerting far-reaching impacts on the real economy. Global corporate executives place high importance on geopolitical uncertainty and terrorism-related risks in their business layout decisions, further highlighting the practical significance of geopolitical risk. Such risks not only potentially disrupt supply chains and exacerbate international trade frictions but also significantly constrain corporate strategic and financial decisions (Gupta et al., 2019). Zaremba et al.(2022) points out significant correlations among global geopolitical risk indices.

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The 9/11 terrorist attacks in 2001 not only impacted the U.S. economy and corporate value but also had widespread spillover effects on many countries around the world. As China's economy deepens its integration with the global system, geopolitical risk has become an important exogenous variable affecting the stability of the domestic market economy. The external operating environment for enterprises is becoming increasingly complex, and the uncertainty faced in financial decisions has significantly increased.

Against this backdrop, China's yet-to-be-perfected legal regulatory and investor protection mechanisms may further amplify the negative impact of external risks on the micro-enterprise level (Cheng Qunrui and Li Jigang, 2022). First, external uncertainty exacerbates information asymmetry problems (Attig et al., 2021). In high-risk environments, the quality of corporate information disclosure often declines, and information noise increases, making it difficult for investors to discern the true condition of enterprises, leading to valuation biases and market volatility. Second, geopolitical risk may intensify agency conflicts. Uncertainty provides cover for management's opportunistic behaviors (such as overinvestment, on-the-job consumption, or reckless expansion), directly harming corporate resource allocation efficiency and long-term value. Additionally, risk shocks may indirectly affect corporate governance through performance channels (Jiang et al., 2024). Therefore, this paper proposes the following hypothesis:

Hypothesis 1: Geopolitical risk will significantly reduce the value of Chinese enterprises.

As an important external uncertainty factor, geopolitical risk significantly exacerbates the financing constraints faced by enterprises through two pathways: financing channels and financing costs. This, in turn, profoundly affects corporate capital structure, investment behavior, and long-term performance.

First, in terms of financing channels, a rise in geopolitical risk leads financial institutions and capital market participants to adopt more cautious and risk-averse attitudes. Faced with systemic risks such as international instability and policy volatility, banks often find it difficult to accurately assess enterprises' future repayment capacity and project returns (Cuculiza et al., 2021). Consequently, they tighten credit standards, reduce loan sizes, and may even selectively withdraw from financing services in certain high-risk regions or industries. At the same time, capital market participants also become more cautious in evaluating investment projects, reducing their willingness to invest in stocks or bonds of enterprises in high-risk regions, making it more difficult for enterprises to obtain equity or bond financing. Thus, bond markets and equity financing channels may also contract due to declining investor confidence, particularly for enterprises with multinational operations or high dependence on imports and exports, whose cross-border financing capabilities are noticeably inhibited. The narrowing of financing channels makes it more difficult for enterprises to obtain necessary external funds, thereby facing stronger financing constraints.

Second, geopolitical risk further intensifies corporate financing limitations by driving up financing costs (Carney et al., 2024). In uncertain environments, fund providers (such as banks and investors) demand higher risk premiums to compensate for potential default losses or asset value fluctuations (Pástor et al., 2013). This is reflected not only in rising interest rates but also in stricter collateral requirements, more complex contract terms, and other implicit transaction costs. Additionally, international financial transmission mechanisms such as exchange rate fluctuations and capital controls increase corporate foreign exchange risks and funding costs, especially for enterprises holding foreign debt or relying on international raw material imports. The increase in financing costs not only directly squeezes corporate profit margins but also more easily triggers issues such as heavier debt burdens and declining solvency, making enterprises more cautious in new financing decisions and even forcing them to abandon projects with positive net present value.

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Therefore, geopolitical risk significantly exacerbates corporate constraints in capital acquisition through the dual mechanisms of "narrowing financing channels" and "rising financing costs." In such circumstances, limited corporate resources constrain their efforts to build sustainable competitive advantages, including R&D investment, production efficiency improvements, and employee training, leading to slow growth and poor performance.

Hypothesis 2: Geopolitical risk will increase corporate financing constraints, thereby reducing corporate value.

3. Data and Model

3.1. Data

This study utilizes annual statistical data from Chinese A-share listed companies spanning 2006 to 2024, applying the following sample selection criteria: First, companies labeled as ST or *ST during the selected period were excluded. Second, companies with significant missing annual data were also removed. To mitigate the influence of outliers, all continuous variables were winsorized at the 1st and 99th percentiles. The company sample data in this study were sourced from the CSMAR database. The Chinese Geopolitical Risk Index is constructed by Caldara and Iacoviello (2022) based on textual analysis.

This study ultimately employs Tobin's Q as the proxy variable for firm value. This indicator is specifically defined as the ratio of a firm's market value to its asset replacement cost. A higher value suggests a more positive market expectation for the firm's future development, corresponding to an increase in firm value.

The core explanatory variable is the Chinese Geopolitical Risk Index (GPRHC_CHN) constructed by Caldara and Iacoviello (2022). Since the original GPR data is at a monthly frequency while this study primarily uses annual firm-level data, the arithmetic mean of the GPR index for the 12 months of each year is calculated to serve as the annual measure of geopolitical risk.

Drawing on methodologies from Lee and Wang et al. (2021) and Wang et al. (2023), this study selects control variables from both the firm level and the macroeconomic level that have a substantial impact on firm value. First, the analysis from the firm level includes the following indicators: Firm Size (Size), Asset-Liability Ratio (Lev), Return on Assets (Roa), Cash Flow Ratio (Cashflow), Tangible Asset Ratio (Tangible), and Capital Expenditure (Capex). Second, the analysis from the macroeconomic level addresses the fact that an increase in geopolitical risk might coincide with other macroeconomic shocks and uncertainties, such as economic slowdown or financial crises. Macroeconomic influences can be captured through the effect of geopolitical risk on firm value. Therefore, this study addresses this issue by incorporating macroeconomic control variables into the main baseline regression model, specifically including the GDP growth rate to control for the potential impact of macroeconomic factors on firm value.

3.2. Model

This section employs a panel data regression model to examine the impact of geopolitical risk on corporate value. Drawing on the regression model proposed by Lee and Wang (2021), the specification is constructed as follows:

$$V_{i,t} = \alpha_0 + \alpha_1 GPR_{t-1} + \alpha_i Controls_{i,t} + \eta + \varepsilon_{i,t} \quad (1)$$

In this context, i represents the company, t denotes the year, Vi,t measures the corporate value of company i in year t , GPRt-1 represents China's geopolitical risk level in year t-1,

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Controlsi,t is the set of all control variables, α0 is the constant term, Ɛi,t is the error term, and η denotes the fixed effect at the individual company level, capturing time-invariant firm-specific differences. Controlling for this fixed effect helps mitigate certain omitted variable biases in this study. At the company level, potential serial correlation among variables and heteroskedasticity are corrected using clustering methods.

Due to multicollinearity issues between the GPR index and time fixed effects-indicating that the two convey similar or overlapping information, which could lead to biased estimation results-this study refrains from introducing time dummy variables to control for time fixed effects. Instead, drawing on methodologies from Lee et al.(2021) ,we control for macroeconomic variables that may influence corporate value to minimize the negative impact of omitted variable problems. Additionally, considering the potential lagged effects of geopolitical risk and to alleviate potential endogeneity issues, this study follows conventional practices in existing literature by lagging the main explanatory variable by one period.

This study employs a mediation effect test method to explore the mechanism through which financing constraints, as proposed in the theoretical analysis section, affect corporate value. Given the issues of overuse and endogeneity bias in traditional stepwise mediation effect tests, this paper adopts the recommendations of Jiang et al.(2022) for mediation analysis in causal inference research. Specifically, we select a mediator variable with a clear and intuitive causal relationship to the dependent variable (corporate value) and focus on the impact of the explanatory variable on this mediator. Building on this, we further construct Model (2) based on the benchmark regression model (1) to conduct the mediation effect test.

$$MV_{i,t} = \beta_0 + \beta_1 GPR_{t-1} + \beta_i Controls_{i,t} + \eta + \varepsilon_{i,t} \quad (2)$$

Among these, the dependent variable MV represents the mechanism variable, specifically the financing constraint level of enterprise i in year t. If the regression coefficient β1 is statistically significant, it demonstrates that geopolitical uncertainty has a significant impact on the potential mechanism variable, thereby validating the potential pathway through which geopolitical uncertainty affects corporate value.

4. Literature References

4.1. Descriptive Statistics

Table 1. Descriptive Statistics

Variable	*Obs*	*Mean*	*SD*	*Min*	*Median*	*Max*
TobinQ	14834	1.790	1.289	0.611	1.411	31.400
GPR	19	0.575	0.212	0.345	0.488	1.120
Size	14834	22.729	1.407	19.046	22.608	28.366
Lev	14834	0.490	0.185	0.021	0.501	0.979
Roa	14834	0.039	0.053	-0.965	0.033	0.400
CashFlow	14834	0.055	0.073	-0.744	0.053	0.553
Tangible	14834	0.939	0.085	0.148	0.964	1.000
Capex	14834	0.043	0.047	-0.527	0.030	0.477
GDP	19	9.947	2.984	1.100	10.100	18.000

Table 1 presents the descriptive statistics of the final sample of Chinese listed companies. The average value of Tobin's Q, the measure of corporate value, is 1.790, with a standard deviation of 1.289, indicating significant variation in corporate values within the sample. The mean and

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standard deviation of the baseline Chinese Geopolitical Risk Index are 0.575 and 0.212, respectively, reflecting fluctuating levels of geopolitical uncertainty in China during the sample period. The average market capitalization is 22.729, showing relatively stable overall fluctuations. The mean asset-liability ratio is 0.490, suggesting that Chinese listed companies generally maintain manageable financial risks. The minimum and maximum values of return on assets are -0.965 and 0.400, respectively, highlighting differences in asset operation efficiency and profitability among enterprises. The minimum and maximum values of net cash flow from operating activities are -0.744 and 0.553, indicating some volatility in the cash flow performance of sample companies. The mean tangible asset ratio is 0.939, with a maximum value of 1.000, suggesting that while most companies do not have a high proportion of tangible assets in their total assets, certain types of companies or industries exhibit high tangible asset ratios. The maximum capital expenditure is 0.477, the minimum is -0.527, and the standard deviation is 0.047, indicating relatively minor fluctuations in corporate capital expenditures overall. However, asset disposal activities and certain investment behaviors are observed. The GDP growth rate, a key indicator of China's macroeconomic development, shows an average value greater than 0, reflecting a generally sustained upward trend in China's economic output.

4.2. Benchmark Regression Results

Table 2. Benchmark Regression

Variable	(1)*TobinQ*	(2)*TobinQ*	(3)*TobinQ*
GPR	-0.831***	-0.431***	-0.416***
	(-17.422)	(-8.462)	(-8.590)
Size		-0.149***	-0.129***
		(-6.140)	(-4.758)
Lev		-0.148	-0.189
		(-1.065)	(-1.347)
Roa		3.416***	3.340***
		(8.565)	(8.452)
CashFlow		0.525***	0.539***
		(3.383)	(3.471)
Tangible		-0.015	-0.008
		(-0.074)	(-0.041)
Capex		-0.093	-0.137
		(-0.364)	(-0.534)
GDP			0.009***
			(2.816)
Constant	2.268***	5.361***	4.805***
	(82.638)	(8.973)	(7.225)
Observations	14,834	14834	14834
R-squared	0.491	0.513	0.513
Firm FE	YES	YES	YES

Note:*, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. t-statistics are reported in parentheses.

Table 2 reports the regression results of the benchmark model. Column (1) presents the preliminary estimation without any control variables, showing that the regression coefficient of geopolitical risk is -0.831, which is significantly negative at the 1% level. In Columns (2) and (3), control variables at the firm level and macroeconomic level are gradually introduced.

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The results indicate that, after controlling for relevant variables, the coefficient of geopolitical risk remains significantly negative at the 1% level, further supporting the existence of a robust negative relationship between geopolitical risk and the value of Chinese A-share listed companies. This conclusion aligns with the fundamental judgment in existing research that geopolitical risk inhibits corporate value. Notably, the absolute value of the geopolitical risk coefficient in Column (3) decreases compared to Column (2), suggesting that the inclusion of macroeconomic control variables helps alleviate endogeneity bias caused by omitted variables, thereby enhancing the rationality of the model specification. In summary, the benchmark regression results statistically validate the negative impact of geopolitical risk on corporate value, confirming Hypothesis 1.

Third, by substituting the measurement method of the core explanatory variable, this study examined the impact of indicator construction on the results. Drawing on the weighting approach of Gulen and Ion (2016), the monthly GPR index was subjected to non-equal weighting, specifically assigning higher weights to months closer to the end of the year (monthly weights: 1/78, 2/78, ..., 12/78). This method accounts for potential dynamic changes in risk perception within a year, and the model was re-estimated using the weighted annual GPR indicator to verify the sensitivity of the baseline results.

Through these multi-dimensional robustness tests, this study strives to ensure that the benchmark regression results remain consistent across different settings, samples, and variable measurements, thereby strengthening the scientific rigor and persuasiveness of the research conclusions.

Table 3. Robustness Analysis

Variable	(1)Two-Period Lag	(2)Excluding Special Samples	(3)Replacing the Measurement Method of the Explanatory Variable
GPR	-0.405***	-0.438***	-0.397***
	(-8.892)	(-8.243)	(-7.964)
Size	-0.256***	-0.152***	-0.135***
	(-9.698)	(-5.938)	(-4.959)
Lev	-0.036	-0.251	-0.179
	(-0.243)	(-1.607)	(-1.279)
Roa	3.259***	2.787***	3.363***
	(8.398)	(7.247)	(8.519)
CashFlow	0.669***	0.574***	0.534***
	(4.171)	(2.962)	(3.434)
Tangible	0.211	-0.189	-0.019
	(0.958)	(-0.862)	(-0.096)
Capex	0.080	-0.227	-0.125
	(0.295)	(-0.770)	(-0.489)
GDP	-0.001	-0.001	0.010***
	(-0.112)	(-0.043)	(3.031)
Constant	7.527***	5.659***	4.920***
	(11.133)	(8.830)	(7.377)
Observations	14053	10,929	14834
R-squared	0.542	0.534	0.513
Firm FE	YES	YES	YES

Note:*, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. t-statistics are reported in parentheses.

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Based on the robustness test results shown in Table 3, this study systematically evaluates the robustness of the impact of geopolitical risk on corporate value using three different methods. The conclusions drawn are consistent with the benchmark regression results.

First, to address potential endogeneity issues, we re-estimated the model by lagging the GPR variable by two periods. The results show that the coefficient of the two-period lagged GPR is -0.405, which is statistically significant at the 1% level (t = -8.892). This indicates that the negative impact of geopolitical risk on corporate value persists and does not diminish even after adjusting the causal timeline. This further supports the judgment that there is a time-lag effect in the transmission of risk.

Second, to eliminate the interference of extreme external shocks on the estimation results, we removed the sample periods covering the 2008-2010 international financial crisis and the 2020-2021 COVID-19 pandemic. In this subsample, the coefficient of GPR is -0.438, which remains statistically significant at the 1% level. This suggests that the benchmark results are not driven by abnormal economic fluctuations in specific periods, demonstrating good generalizability and external validity.

Finally, we re-estimated the model by replacing the measurement method of the core variable, using the weighted GPR indicator proposed by Gulen and Ion (2016). The results show that the coefficient of GPR is -0.397 and remains highly significant (t = -7.964). This indicates that regardless of the method used to construct the GPR indicator, the negative impact of geopolitical risk on corporate value remains robust, ruling out estimation biases caused by differences in variable measurement methods.

4.3. Mechanism Analysis

This section explores the underlying mechanisms through which geopolitical risk affects corporate value. To further validate the effectiveness of the proposed channels, the mediating variable is divided into high and low groups for subsample estimation (Yan Jie and Zhou Mao et al., 2023). Compared to the stepwise testing method, grouped regression does not alter the original identification strategy and model specification, and aligns with the benchmark regression approach, thereby more effectively addressing endogeneity issues. Based on the theoretical and empirical analyses presented earlier, this study posits that financing constraints are likely a critical transmission channel through which geopolitical risk influences corporate value. Drawing on the method proposed by Gu Leilei et al. (2020) for constructing financing constraint indicators, the total sample is first divided into high financing constraint and low financing constraint groups based on the annual median of the corporate financing constraint indicator. Subsequently, the impact of geopolitical risk on corporate value is examined separately within these two subsamples.

As Cai et al. (2022) have empirically demonstrated, based on institutional and agency theories, that financing constraints are negatively correlated with corporate value in Chinese enterprises, this study reports only the impact of geopolitical risk on corporate financing constraints. According to the regression analysis results presented in Table 4, an increase in geopolitical risk significantly exacerbates corporate financing constraints. The benchmark regression results in column (1) show that the regression coefficient of geopolitical risk on corporate financing constraints reaches 0.064, which is statistically significant at the 1% level. This indicates that rising geopolitical risk systematically intensifies corporate financing constraints, consistent with theoretical expectations. A more in-depth analysis is reflected in the grouped regression results in columns (2) and (3). By dividing the sample into groups based on the degree of financing constraints, we find that the negative impact of geopolitical risk on corporate value is more pronounced in the high financing constraint group. This differential effect further strengthens our research conclusion: high financing constraints indeed hinder the enhancement of corporate value. More importantly, this result confirms

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that financing constraints play a significant mediating role in the process through which geopolitical risk affects corporate value, constituting an important pathway for the transmission of geopolitical risk to corporate value. Based on this systematic empirical evidence, Hypothesis 2 proposed in this study is fully validated and supported.

5. Summary

This study examines the impact of geopolitical risk on corporate value using a sample of Chinese A-share listed companies from 2006 to 2024, with a specific focus on the mechanism of corporate financing constraints. The findings indicate that an increase in geopolitical risk significantly reduces corporate value, and this effect is primarily explained through the key channel of heightened corporate financing constraints. Specifically, rising geopolitical risk exacerbates the level of financing constraints faced by enterprises, thereby negatively affecting their value. Based on these conclusions, this paper proposes several policy recommendations to support governments and enterprises in mitigating the adverse effects of geopolitical risk on corporate value.

At the government level, to effectively address the potential impact of geopolitical uncertainty on the real economy, it is essential to accelerate the establishment of a systematic and professional risk prevention and control system. It is recommended to promote the creation of a cross-departmental coordination agency for risk monitoring, integrating information resources from various fields such as diplomacy, trade, and finance. This agency should establish a dynamic assessment mechanism covering major global regions, employing a professional team with backgrounds in international political economy to regularly publish geopolitical risk indices and industry impact assessment reports, providing forward-looking decision-making references for enterprises. Simultaneously, to stabilize corporate development expectations in uncertain environments and alleviate tendencies toward excessive cash holdings and delayed value investment projects due to risk aversion, the government should focus on optimizing policy support systems for enterprises, particularly non-state-owned ones. Recommendations include establishing specialized funds for transformation and upgrading, expanding the scope of additional deductions for R&D expenses, and providing targeted credit support through diversified means to effectively reduce corporate operational costs and financing difficulties.

At the enterprise level, improving the quality of information disclosure is crucial to alleviating financing constraints. During periods of high geopolitical risk, information asymmetry often exacerbates corporate financing challenges. To address this, enterprises should establish normalized and standardized information disclosure mechanisms, proactively sharing key information such as operational dynamics, risk exposures, and response strategies in addition to statutory financial reports. By building transparent and credible communication channels, enterprises can enhance market trust, stabilize investor expectations, and thereby maintain financing capabilities and reduce funding costs in uncertain environments. Furthermore, regular risk assessment and management are essential. Enterprises should develop systematic geopolitical risk management mechanisms, centered around dynamically updated "risk maps" and professional assessment teams. As the international landscape continues to evolve, enterprises must regularly adjust their risk profiles to accurately identify potential conflict zones and transmission pathways, ensuring that management maintains a comprehensive understanding of the global risk landscape.

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Table 4. Mechanism Analysis

	(1)	(2)High financing constraints	(3)Low financing constraints
	Financing constraints	*TobinQ*	*TobinQ*
GPR	0.064***	-0.666***	-0.347***
	(9.286)	(-6.146)	(-5.517)
Size	-0.134***	-0.064	-0.159***
	(-34.364)	(-0.747)	(-4.636)
Lev	-0.364***	-1.061***	0.124
	(-21.480)	(-5.371)	(0.610)
Roa	0.286***	3.468***	3.121***
	(7.950)	(4.881)	(6.744)
CashFlow	-0.059***	0.896***	0.459***
	(-2.960)	(3.525)	(2.839)
Tangible	0.004	-0.044	0.077
	(0.109)	(-0.083)	(0.409)
Capex	-0.047	-0.602	0.061
	(-1.498)	(-1.267)	(0.247)
GDP	-0.003***	0.035***	0.007*
	(-5.204)	(4.337)	(1.657)
Constant	3.540***	3.773**	5.180***
	(35.302)	(2.055)	(6.332)
N	14666	4311	10423
R-sq	0.824	0.418	0.642
Firm FE	YES	YES	YES

Note:*, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. t-statistics are reported in parentheses.

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