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Title: Economic Policy Uncertainty and Capital: Structure Choice Evidence from China

Author: Guangli Zhang Jianlei Han Zheyao Pan Haozhi Huang

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Highlights

- Chinese firms' leverage ratios decrease when the economic policy uncertainty increases.
- This effect is heterogeneous across firms in terms of regional marketization, ownership and bank-firm relationship.
- This effect is sourced from the deterioration of the external financing environment imposed by economic policy uncertainty
- Firms adjust their financing structures by using more trade credit when economic policy uncertainty increases.