Navigating Uncertainty: The Role of Institutional Visiting in Corporate Investment

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Abstract

This study examines the effect of institutional investors' site visits on the relationship between economic policy uncertainty (EPU) and corporate investment. Leveraging a comprehensive dataset encompassing Chinese institutional investors' site visits, our analysis demonstrates that these visits alleviate the detrimental effects of EPU on corporate investment. To address potential endogeneity issues, we adopt a difference-in-differences (DiD) design, exploiting China's supply-side structural reform as a natural experiment, and find consistent results. Our further analysis underscores that site visits enhance information dissemination and external monitoring mechanisms, thereby stimulating corporate investment activity in economically uncertain environments. Notably, the impact of site visits is more pronounced among investors with a history of visiting state-owned enterprises (SOEs), possessing political connections, or being affiliated with local financial institutions. In contrast, conference calls do not exhibit a comparable moderating effect. Moreover, our investigation emphasizes that the beneficial impact of site visits is particularly strong in firms characterized by high information asymmetry, inadequate external monitoring, and severe agency problems.

Keywords: Institutional Investors; Site visit; Economic Policy Uncertainty; Investment; Information transmission; External monitoring
JEL: G11, D80, D82, E22, G18

1. Introduction

Economic policy uncertainty (EPU) has emerged as a critical factor influencing corporate decision-making, particularly in investment activities. High levels of EPU can destabilize the economic environment, leading firms to delay or reduce investment and innovation as they attempt to avoid the potential costs associated with irreversible decisions in uncertain conditions (Baker, Bloom, and Davis, 2016; Bernanke, 1983; Gulen and Ion, 2016; McDonald and Siegel, 1986; Xu, 2020). The real options theory posits that firms faced with significant uncertainty prefer to defer investment to preserve flexibility, waiting for clearer signals before committing resources (Bernanke, 1983; Pindyck, 1993). While the literature has provided evidence of a negative relationship between the uncertainty and corporate operation, it is largely overlooked that how firms can guard against the uncertainty. We build on this by investigating whether institutional investors' site visits can help firms better cope with EPU.

EPU refers to the unpredictability surrounding government actions and regulatory changes, and this uncertainty creates a challenging environment for firms planning capital investments (Baker et al., 2016). One of the key channels through which EPU influences corporate investment is the delay effect, supported by the real options theory (Bernanke, 1983; Dixit and Pindyck, 1994). EPU can also deters investment through the financing constraints due to the increasing information asymmetry risk induced by EPU (Pastor and Veronesi, 2013; Bradley, Pantzalis, and Yuan, 2016; D'Mello and Toscano, 2020; Julio and Yook, 2012). Thus, how to collect related information for managers and reduce the information asymmetry for outsiders, including institutional investor, analysts, and stakeholders, become more critical during periods with high uncertainty.

Corporate site visit provides managers with opportunities to acquire critical information from institutional investors. Institutional investors possess strong information-gathering and analytical capabilities (Chen, Kelly, and Wu, 2020; Goldstein and Yang, 2015) and often have information that is important and unknown to managers (Grossman, 1976; Hellwig, 1980; Hutton, Lee, and Shu, 2012; Jennings, 1987). Since managers lack complete information about all decision-relevant aspects of their firms (Ben-David, Graham, and Harvey, 2013; Hutton et al., 2012), they are

incentivized to engage with institutional investors to gain additional insights (Zhang, 2023).

We propose that information transmission from institutional investors to managers plays a significant role in mitigating the effects of EPU on corporate investment. First, real options theory underscores the value of acquiring information to mitigate the adverse effects of uncertainty on investment decisions. Access to timely and relevant information on policy adjustments and macroeconomic conditions helps managers reduce uncertainty and make more informed investment decisions. Second, managers often lack the expertise and ability to interpret complex macroeconomic signals as effectively as institutional investors or analysts (Hutton et al., 2012). During periods of heightened EPU, the need for external guidance on the macroeconomic environment and policy adjustments becomes more pronounced. Third, institutional investors have strong incentives to share their knowledge with managers since better-informed managerial decisions improve firm performance, which directly benefits the investors' financial interests (e.g., Brown and Drake, 2014; Gallemore et al., 2019).

Corporate site visit can effectively discipline managers by facilitating visitors' monitoring activities. Institutional investors can participate in corporate governance by using their voice and the threat of exit (e.g., Edmans, 2009; McCahery et al., 2016), and play a monitoring role in curbing managerial opportunism (Chung et al., 2002). Increased EPU raises the risk of stock price crashes, which can pressure managers to prioritize short-term performance over long-term growth (Graham et al., 2005; Narayanan, 1985; Stein, 1989). Corporate site visits allow institutional investors to probe any aspect of a specific corporate strategy and evaluate managers' ability and ethical values through face-to-face scrutiny (Holland, 1998; Roberts et al., 2006). This monitoring effect of site visit benefits corporate decision-making (Cao et al., 2022; Cao et al., 2024; Jiang and Yuan, 2018; Guo et al.,2023). During periods of high EPU, site visits enable institutional investors to detect managerial short-sightedness and opportunism and identify firms that do not fully utilize available investment opportunities, thereby increasing corporate investment.

Utilizing the theoretical and empirical framework pertaining to information transmission and monitoring paradigms, we hypothesize that institutional investors' site visits can alleviate the detrimental impacts of economic policy uncertainty (EPU) on

corporate investment. To examine this hypothesis empirically, we utilize a novel dataset encompassing Chinese institutional investors' site visits from 2013 to 2023. Our principal aim is to ascertain whether these site visits appreciably enhance corporate investment in the context of heightened EPU exposure. To quantify corporate investment level, we employ the metric utilized by Chen et al. (2007) and Amihud and Levi (2023), which involves scaling capital expenditures and R&D expenses by the beginning-of-year book assets of the firm. Consistent with Bonaime et al. (2018), we use the sensitivity of excess stock returns to fluctuations in the EPU index as a proxy for firms' EPU exposure, with the EPU index sourced from Baker et al. (2016). To proxy for institutional investors' site visits, we consider both the aggregate number of site visits conducted by institutional investors and the number of unique institutional visitors involved in these visits.

Consistent with our hypothesis, our empirical findings indicate that firms experiencing a higher intensity of institutional investors' site visits exhibit greater investment increases when exposed to high EPU. To address potential endogeneity concerns stemming from reverse causality and omitted variable bias, we follow Liu et al. (2021) by employing a PSM-DID identification strategy based on the supply-side structural reform that emerged at the end of 2015. Our inferences remain unaltered following this adjustment. Furthermore, our findings persist when we conduct two placebo tests by randomly assigning EPU exposure within each firm or each year. Our results are robust to alternative proxies for investment and measures of EPU exposure (i.e., the EPU index from Baker et al. (2016)), and we also control for the potential impacts of local political uncertainty and the COVID-19 pandemic. These findings collectively strengthen our confidence in the validity of our hypothesis.

We then examine the mechanisms by which site visits enhance corporate investment. Our analysis starts with assessing whether Economic Policy Uncertainty (EPU)-related information flows from state-owned enterprises (SOEs) or firms with politically connected managers to visited firms through site visits, thereby reducing the negative effects of EPU exposure on investment. This is termed the information transfer hypothesis. We identify institutional investors who have previously researched SOEs or firms with politically connected managers within a given year, and test whether corporate investment increases following these investors' site visits. These investors possess firsthand EPU information and may share it with visited firms. Our results

indicate that site visits are more effective in reducing uncertainty when institutional investors have a history of visiting SOEs or politically connected firms.

Conference calls, an alternative corporate access activity, may also enhance interactions among shareholders, analysts, and managers, thereby assisting managers in acquiring relevant information. We further examine whether site visits offer a particular advantage: they allow for physical inspections and direct engagement with lower-level managers and employees, which is essential for achieving disciplinary outcomes. Our empirical results indicate that conference calls do not alleviate the adverse effects of Economic Policy Uncertainty (EPU) on investment to the same degree as site visits. In line with the evidence presented by Cao et al. (2024), our findings confirm the distinct governance advantages associated with site visits.

Site visits can discipline managers and boost investment during high Economic Policy Uncertainty (EPU) periods by enabling visitors to monitor more effectively (monitoring channel). To assess the disciplinary influence of institutional shareholders, we determine if an institutional investor owns equity in a firm and classify shareholders as those who both own equity and conduct site visits in a given year. We compare the frequency of site visits by shareholders versus non-shareholders and contrast the visit counts between the two groups. Our results show that institutional investors' site visits significantly elevate corporate investment, irrespective of their shareholder status. However, this positive correlation is more robust for shareholders than for non-shareholders. This finding underscores that the monitoring effects of site visits are more evident when visitors have stronger motives and authority to monitor managers effectively.

To gain insights into the consequences of institutional investors' site visits for alleviating the effects of economic policy uncertainty (EPU) on corporate investment decisions, we conduct a series of cross-sectional tests. Our initial set of tests focuses on visitor-specific characteristics. We posit that local institutional investors, owing to their stronger connections with local firms and government officials, are better positioned to gather information about local economic policies. Thus, if our information transmission hypothesis holds, we expect the impact of visits by local institutional investors to be more significant. Our empirical results indicate that site visits by local institutional investors significantly increase investments when firms are highly exposed to EPU,

whereas visits by foreign institutional investors do not exhibit a statistically significant effect. These findings provide support for the notion that the information transmission channel through site visits is effective.

The next set of cross-sectional tests focuses on visited-firm-specific characteristics. We examine whether the benefits of information transmission through corporate site visits are more pronounced for non-state-owned enterprises (non-SOEs) or firms without political connections. These firms often lack access to economic and political information through internal channels and face higher financing constraints (e.g., Fan et al., 2007; Claessens et al., 2008). The empirical results indicate that site visits have a stronger impact on corporate investment for non-SOEs and politically unconnected firms, addressing their information and financing disadvantages.

Subsequently, we examine whether site visits exert a more pronounced impact on firms characterized by poor information environments, distinguished by elevated levels of information asymmetry and scant disclosures related to economic policy uncertainty (EPU). Financial frictions and the asymmetry of information between insiders and capital providers frequently lead to underinvestment. By mitigating this asymmetry, site visits facilitate increased investment in such firms. Our empirical analysis reveals that the beneficial effects of site visits are concentrated in firms characterized by higher information asymmetry. Furthermore, we investigate whether the relationship between site visits and investment is contingent upon the extent of EPU-related disclosures in firms' annual reports. Managers often employ detailed EPU-related disclosures as a means to alleviate information asymmetry and bolster investor confidence, thereby demonstrating their comprehension of the ramifications of uncertainty. Our findings indicate that the positive influence of site visits is significant in firms with limited EPU-related disclosures, whereas it is insignificant in those with extensive disclosures, as the latter already address information asymmetry through heightened transparency.

Finally, we observe that this effect is more pronounced in firms with weaker external monitoring mechanisms (e.g., non-Big 4 auditors, lower institutional ownership, or limited media coverage) and those with severe agency problems. Overall, these cross-sectional results highlight that site visits provide both informational and disciplinary benefits for corporate investment.

This paper makes several contributions to the existing literature. First, it advances

research on how managers acquire and incorporate new information from outsiders into corporate investment decisions. Prior studies have documented that managers learn from stock prices to guide their investments (e.g., Luo, 2005; Chen et al., 2007). More recent work has shown that direct interactions with institutional investors influence manager decisions by providing specific, decision-relevant information (Zhang, 2023) and tax-planning knowledge (Guo et al., 2023). However, little attention has been paid to whether such information transmission aids managers in navigating uncertainties, which is the focal point of this study. Additionally, we extend the literature on private interactions between managers and institutional investors by demonstrating that the informational benefits of direct interaction extend not only to visitors (e.g., Bushee et al., 2011, 2017; Cheng et al., 2016; Green et al., 2014a, 2014b; Solomon and Soltes, 2015) but also to managers themselves.

Second, we contribute to the literature on the role of site visits in corporate decision-making. Existing research has shown that corporate site visits influence innovation (Jiang and Yuan, 2018), tax avoidance (Guo et al., 2023), and cash dividend policies (Cao et al., 2022). Cao et al. (2024) provide closely related evidence, finding that corporate investments become more sensitive to growth opportunities as the frequency of site visits increases, attributing this to the disciplinary benefits of direct monitoring by visitors. Extending this literature, our study offers novel evidence that site visits impact corporate investment decisions not solely through disciplinary benefits but also by facilitating information transmission from visitors to managers. This finding identifies an additional mechanism through which site visits influence managerial decision-making, thereby enhancing our understanding of their broader implications for corporate governance and strategy.

Finally, growing evidence underscores the negative impact of EPU or political uncertainty on firm investment (e.g., Bernanke, 1983; Gulen and Ion, 2016; Kim and Kung, 2017). Pham (2019), Wellman (2017), and Liu et al. (2021) argue that firms with political connections can efficiently hedge against policy uncertainty through eliminating information asymmetry between policymakers and firms. However, little attention is paid to alternative information channels that can also help address the challenges posed by EPU. Our study contributes to the literature by demonstrating that institutional investors' site visits serve as an effective mechanism for mitigating the adverse effects of EPU on firm investment.

The rest of the paper proceeds as follows. Section 2 describes our sample, variables

and methodology. Section 3 presents our basic results, addresses endogeneity and robustness check. Section 4 and Section 5 discuss potential mechanism and present cross-sectional analyses, respectively. Section 6 concludes.

2. Data and methodology

2.1 Data

Our study examines a sample of all Chinese A-share firms listed on the Shenzhen Stock Exchange (SZSE) from 2013 to 2023. This period is selected based on a pivotal disclosure regulation implemented by the SZSE in 2012, which mandates public reporting of corporate site visits by institutional and individual investors. Utilizing this regulatory backdrop, we investigate the consequences of such visits. This paper collects site visit data from the Wind database, which comprehensively records the date, name, and purpose of each corporate site visit. Financial data, including balance sheets and income statements, are sourced from the China Stock Market & Accounting Research (CSMAR) database.

To ensure the accuracy and consistency of our analysis, we apply several filters to the initial dataset. First, on the purpose of studying the function of institutional investors' site visit, we only keep the institutional investors visits. Second, we exclude financial firms, as their financial reporting structures differ substantially from those in other sectors, leading to potential incompatibility with our analytical framework. Third, we remove firms under special treatment (ST/ST*/PT/T), which are typically subject to regulatory scrutiny or operational challenges, potentially biasing our results. Finally, we exclude observations with incomplete data necessary for constructing the control variables in our regression models. After applying these criteria, the final dataset includes 24,436 firm-year observations, encompassing 3,833 distinct firms. This dataset provides a robust foundation for investigating the impact of institutional investor site visits on corporate financial outcomes, given the diverse representation across industries and firm characteristics.

2.2 Methodology

2.2.1 Site visit

In this paper, two key variables are constructed to measure the intensity of institutional

site visits, following methodologies established in prior literature. Specifically, Visit Frequency (*VisitFreq*) is defined as the natural logarithm of one plus the total number of site visits conducted by institutional investors to a firm in a given calendar year, as suggested by Jiang and Yuan (2018). This transformation addresses the skewness in the distribution of visit counts, resulting in a more normalized and interpretable measure of site visit intensity across firms.

Visitor Frequency (*VisitorFreq*) is calculated similarly to Visit Frequency (*VisitFreq*), using the natural logarithm of one plus the number of unique institutional visitors participating in site visits each year, as proposed by Cao et al. (2024). This variable reflects the diversity of institutional interest in a firm, thereby emphasizing the breadth of investor engagement, rather than focusing solely on the number of visit.

By utilizing both *VisitFreq* and *VisitorFreq*, we capture complementary dimensions of institutional monitoring. Specifically, *VisitFreq* emphasizes the depth of engagement through the frequency of visits, whereas *VisitorFreq* underscores the diversity of institutional attention. Together, these metrics provide a comprehensive view of the extent to which institutional investors scrutinize firms through on-site visits. This comprehensive understanding is crucial for assessing the potential impact of these visits on corporate governance and financial performance.

2.2.2 EPU exposure

The uncertainty in government policy has a significant impact on corporate behavior, as evidenced by studies such as those by Julio and Yook (2012), and Gulen and Ion (2016). However, these studies primarily focus on the effects of economy-wide policy uncertainty on corporate policies. In contrast, Pastor and Veronesi (2012) and Akey and Lewellen (2017) observe that firms exhibit varying degrees of exposure to both EPU and political uncertainty, resulting in differential impacts on their operations and decisions. Furthermore, Hassan et al. (2019) demonstrate that more than 90% of the variation in firm-level EPU measures is not explained by aggregate policy uncertainty indices. They also show that the cross-sectional dispersion of firm-specific political risk is positively correlated with fluctuations in aggregate policy uncertainty, indicating that firms are differentially affected across policy uncertainty cycles. Motivated by these findings, we do not directly use the EPU index to capture firm-level policy uncertainty; instead, we first estimate the exposure level of each firm to EPU.

Previous literature on exchange rate risk exposure provides a framework for estimating firm-level exposure to EPU to capture the sensitivity of firm stock returns to EPU (He and Ng, 1998; Dominguez and Tesar, 2006); however, Griffin and Castanias (1987) caution that estimation bias may arise due to inefficient stock pricing. To address this potential issue, and in recognition of Akey and Lewellen's (2017) observation that many government policies are industry-specific, we adopt the methodology employed by Bonaime et al. (2018) to estimate firms' EPU exposure. Specifically, we regress value-weighted average industry excess stock returns on an EPU index, controlling for the Fama-French three factors. To ensure robustness, we utilize a rolling window of 60 months to compute the following regression model:

$$R_{j,t} - R_{f,t} = \alpha + \beta_j^{EPU} EPU\ index_t + b_i\left(R_{m,t} - R_{f,t}\right) + s_i SMT_t + h_i HML_t + \varepsilon_{i,t} \quad (1)$$

where $\boldsymbol{R_{j,t}}$ is the industry *j*'s value-weighted return in month *t*, $\boldsymbol{R_{f,t}}$ is the risk-free rate, $\boldsymbol{EPU\ index_t}$ is the economic and policy uncertainty index from Bakeret al. (2016) , $\boldsymbol{R_{m,t}}$ is the return on the market, and $\boldsymbol{SMB_t}$ and $\boldsymbol{HML_t}$ are the returns on the size and value factors of Fama and French (1993), respectively. We use the industry-level $\boldsymbol{\beta_j^{EPU}}$ coefficient to measure a firm's return sensitivity to EPU. Firms with a positive $\boldsymbol{\beta_j^{EPU}}$ are able to provide a good hedge against increases in EPU, while firms with a negative $\boldsymbol{\beta_j^{EPU}}$ demonstrate a poor hedge against increases in EPU (Brogaard and Detzel, 2015; Bali et al., 2017). We adopt the negative value of $\boldsymbol{\beta_j^{EPU}}$ as the proxy for EPU exposure in this study, which means that firms suffer from the adverse effects of EPU.

2.2.3 Baseline Analysis Model

To investigate the impact of institutional investors' site visits on corporate investment, we estimate the following regression model:

$$Invest_{i,t} = \alpha_0 + \alpha_1 Sitevisit_{i,t-1} + \alpha_2 EPU_{Exposure}{}_{i,t-1} + \alpha_3 Sitevisit_{i,t-1} * EPU_{Exposure}{}_{i,t-1} + \alpha_4 Tobbin\ Q_{i,t-1} + \alpha_5 CashFlow_{i,t-1} + \alpha_6 Sale_{Growth}{}_{i,t-1} + \alpha_7 ROA_{i,t-1} + \alpha_8 Size_{i,t-1} + \mu_i + \gamma_t + \varepsilon_{i,t} \quad (2)$$

where *i* indexes the firm and *t* indexes the year. *Invest* is measured as the sum of capital expenditures and R&D expenses scaled by beginning-of-year book assets, following Chen et al. (2007) and Amihud and Levi (2023). *EPU_Exposure* is defined as $\boldsymbol{\beta_j^{EPU}}$ **1000.* Our main variable of interest is the interaction term between *SiteVisit* and *EPU_Exposure* ($\boldsymbol{\alpha_3}$), which captures the extent to which institutional investors' site visits influence corporate investment in the context of rising EPU. We expect a positive sign for $\boldsymbol{\alpha_3}$, indicating that site visits promote greater investment when firms are exposed to higher levels of EPU.

We control for several firm characteristics that may affect investment, including the natural logarithm of total assets (*Size*), return on assets (*ROA*), the cash held by firms to the total assets (*CashFlow*), Tobin's Q (*TobinQ*), and sale growth rate (*SaleGrowth*), based on the work of Foucault and Frésard (2012) and Gulen and Ion (2016). To mitigate reverse causality concerns, all independent variables are lagged by one year. We also include industry and year fixed effects to control for unobserved heterogeneity. All continuous variables are winsorized at the 1% level at both tails to reduce the influence of outliers. Detailed descriptions of all variables are provided in Appendix A.

2.3 Summary Statistics and Correlation Analysis

Table 1 provides summary statistics for the key variables used in our regression analysis. The mean values of *VisitFreq* and *VisitorFreq* are 0.582 and 0.857, respectively. This suggests that, on average, institutional investors conduct approximately 2.042 site visits per firm per year, while each firm receives approximately 10.931 unique institutional visitors annually. These values align with those reported by Cao et al. (2022), who observed an average of 2.127 institutional visits per firm per year. Turning to the control variables, the average log of total assets (*Size*) is 22.355, with a mean *ROA* of 0.034, Tobin's Q (*TobinQ*) of 2.061, a cash ratio (*CashFlow*) of 0.056, and a sales growth rate (*SaleGrowth*) of 0.067. These metrics are consistent with prior studies such as Cao et al. (2022) and Guo et al. (2023).

[Insert Table 1 about here]

Table 2 presents the Pearson (Spearman) correlation matrix of the dependent and independent variables, with Pearson correlations reported above the diagonal and

Spearman correlations below. Firm investment is negatively correlated with EPU exposure, but the correlations between investment and the two site visit variables (*VisitFreq* and *VisitorFreq*) are significantly positive. This initial evidence suggests that institutional investor site visits are positively associated with increased corporate investment. All control variable correlations are relatively low, indicating that multicollinearity is unlikely to be a concern.

[Insert Table 2 about here]

3. Empirical Results and Discussion

3.1 Baseline Regression Results

Table 3 presents the outcomes of our baseline regression model, as specified in Equation (2). Notably, the coefficients for *EPU_Exposure* in Columns (2) and (4) exhibit negative values and are statistically significant at the 5% level. These findings suggest that firms with greater exposure to EPU tend to scale back their investment activities, aligning with prior research in the field (e.g., Gulen and Ion, 2016; Kim and Kuang, 2017). The coefficients for *VisitFreq* and *VisitorFreq* are significantly positive at the 1% level, contrasting with the negative coefficients for *EPU_Exposure*. This indicates a positive relationship between increased institutional investor site visits and corporate investment. Our findings are consistent with prior research showing improvements in investment efficiency (Cao et al., 2024), innovation (Jiang and Yuan, 2018), and dividend payouts (Cao et al., 2022) following institutional investor site visits.

In Columns (2) and (4), the interaction terms between EPU_Exposure and the two site visit measurements (*VisitFreq* * *EPU_Exposure* and *VisitorFreq* * *EPU_Exposure*) are positive and statistically significant at the 5% level. This suggests that site visits by institutional investors can effectively mitigate the negative impact of EPU on corporate investment. Specifically, in Column (2), the coefficients for *EPU_Exposure* and *VisitFreq*EPU_Exposure* are 0.008 and 0.115, respectively. These findings empirically support the hypothesis that corporate site visits by institutional investors can counteract the adverse effects of EPU on investment.

Regarding the control variables, *ROA*, *TobinQ*, and *SalesGrowth* exhibit positive associations with investment, indicating that firms with higher profitability, investment

opportunities, and revenue growth are more likely to invest. The positive and significant coefficient on *CashFlow* suggests that firms with higher liquidity are better positioned to capitalize on investment opportunities.

[Insert Table 3 about here]

3.2 Robustness Checks

3.2.1 Addressing Endogeneity

Adopting the methodological framework established by Liu et al. (2021), this study employs propensity score matching (PSM) in conjunction with a difference-in-differences (DID) analysis to address potential endogeneity concerns, including reverse causality, sample self-selection bias, and omitted variable bias. We first divide the sample into two groups based on the median values of *VisitFreq* and *VisitorFreq*. Firms with values above the median are assigned to the treatment group (*High_VisitFreq* or *High_VisitorFreq*), while those below the median are assigned to the control group. Using a one-to-one nearest neighbor matching technique, we pair firms in the treatment group with similar firms in the control group based on firm characteristics.

Table 4 present the balance tests for the matched sample and presents that the covariate balancing is successful. Similarly, Figures 1 show the kernel density distributions of the treatment and control groups before and after matching, confirming that the matching procedure effectively mitigates selection bias.

[Insert Table 4 about here]

[Insert Fig. 1 about here]

We then conduct a difference-in-differences (DID) analysis using the supply-side structural reform implemented in November 2015 by China's Central Financial and Economic Affairs Committee as an exogenous shock. This reform aims to tackle issues such as overcapacity, deleveraging, and other structural problems, resulting in an increase in short-term EPU. To facilitate the analysis, we create a dummy variable, Post, which takes a value of 1 for years after 2015 and 0 for earlier years.

Since the validity of the difference-in-differences (DID) estimate hinges critically on the parallel trend assumption, we first test for potential violations of this assumption. To do so, we introduce new time dummy variables spanning two years before and two

years after the policy intervention. These time dummies are interacted with the treatment indicator and included in the DID regression model. Figure 2 demonstrates that there is no statistically significant difference in investment between the treatment and control groups prior to the supply-side structural reform. Consequently, the parallel trends hypothesis is upheld, validating the DID result.

The interaction term *Post*High_VisitFreq* (or *Post*High_VisitorFreq*) captures the causal effect of site visits on investment during this period. Panel C of Table 4 presents the coefficients for *Post*High_VisitFreq* and *Post*High_VisitorFreq* are significantly positive, indicating that firms with a high intensity of site visits increased their investment following the 2015 reform. This reform is a key strategy for national development, which lacks clear targets, timelines, and specific implementation measures and thus affects corporate investment decisions. The DID analysis prove that site visit plays a beneficial role in alleviating the uncertainty generated by this reform.

[Insert Fig. 2 about here]

3.2.2 Placebo Tests

To address concerns that our observed results may be influenced by unobservable firm characteristics or time-varying factors, we conduct two sets of placebo tests. In these tests, we randomly substitute the interaction between EPU exposure and site visits with data from either another firm or a different year. This randomization preserves the time-varying characteristics within our dataset.

Panel A and Panel B of Figure 3 present the results of randomizing the interaction of *VisitFreq*EPU_Exposure* and *VisitorFreq*EPU_Exposure* at the firm level, respectively. Specifically, this paper randomly selects the interaction of site visits and EPU exposure from other firms, repeat this process 150 times, and re-estimate the model. The resulting distribution of placebo coefficients is displayed in Panels A and B, with the solid line representing the true coefficient and the dashed line showing the mean of the placebo coefficients. Notably, the means of the placebo coefficients are centered around zero, while the true coefficients are significantly different from zero.

Figure 4 reports the results of randomizing the interaction between EPU exposure and site visits with data from a different year. This study estimates our models and repeat this process 150 times. As shown, the mean of the placebo coefficients for

both VisitFreq*EPU_Exposure and VisitorFreq*EPU_Exposure are close to zero, but the true coefficient value is significantly different.

Overall, the results from both sets of placebo tests provide confidence that our findings are not driven by unobservable firm or time-invariant characteristics.

[Insert Figure 3 about here]

[Insert Figure 4 about here]

3.2.3 Additional Robustness Checks

We perform several additional robustness tests to confirm the validity of our findings. First, we re-estimate the model (2) using an alternative measure of economic policy uncertainty, specifically the Baker et al. (2016) EPU index. As reported in Columns (1) and (2) of Table 5, the results are consistent with our main analysis in Table 3 that the site visit can release the negative impact of EPU on investment.

Next, we re-estimate the model (2) with an alternative measure of investment, defined as capital expenditures plus R&D expenditures scaled by net fixed assets, following Sani, Shroff, and White (2023). The results, presented in Columns (3) and (4) of Table 5, also support the positive impact of site visit.

Finally, we control for the potential effects of local political uncertainty and the COVID-19 pandemic. We add a dummy variable *PU* to control the potential effect of local political turnover on corporate investment decisions. If there is a change in provincial government officials at the firm's headquarters, *PU* is equal to 1, 0 otherwise. Columns (5) - (6) of Table 5 suggest that our findings keep robust after controlling *PU.* Moreover, after excluding observations from 2020 and 2021, we still find that our main results remain largely unchanged, as reported in Columns (7) and (8) of Table 5. Overall, results in Table 5 confirm the robustness of our findings.

[Insert Table 5 about here]

4. Mechanism Analyses

4.1 EPU-Related Information Transmission

Real options theory suggests that acquiring information reduces uncertainty and supports better investment decisions. Access to information on policy adjustments and

macroeconomic conditions is particularly important during periods of heightened EPU. Additionally, managers often lack the expertise to interpret complex macroeconomic signals as effectively as analysts (Hutton et al., 2012), making external information critical. Recent studies show that managers can learn from institutional investors during interactions such as investor conferences (Zhang, 2023) and site visits (Guo et al., 2023). These interactions provide managers with insights that can inform their decisions, particularly under conditions of uncertainty. Given that institutional investors have a vested interest in optimizing corporate investment decisions, they are incentivized to guide managers towards better outcomes. We argue that site visits reduce the impact of EPU on corporate investment by facilitating the transfer of policy-related information from institutional investors to managers.

To identify the information dissemination channel, we analyze the investment behavior of firms visited by institutional investors following their prior visits to state-owned enterprises (SOEs) or firms with politically connected managers. This approach enables us to ascertain whether information garnered from these politically linked entities is transferred during subsequent visits, ultimately influencing the visited firms' investment decisions. A firm is classified as politically connected if its top executive currently holds or has previously held a government position. We define *VisitFreq_SOE* (*VisitFreq_PC*) as the count of institutional visits to a firm in a given year following prior visits to SOEs (firms with politically connected managers). Similarly, *VisitorFreq_SOE* (*VisitorFreq_PC*) represents the number of unique institutional investors who visited the firm after previously researching SOEs (firms with politically connected managers) in the same year.

The empirical results, summarized in Table 6, demonstrate a positive correlation between institutional investor visits occurring subsequent to visits to SOEs or politically connected firms and corporate investment decisions made during periods of heightened EPU. These findings lend support to the hypothesis that institutional investors who have previously visited SOEs or politically connected firms can effectively stimulate increased corporate investment in times of high EPU.

[Insert Table 6 about here]

4.2 Alternative Information Channel: Conference Calls

Conference calls provide another avenue for institutional investors to interact with

corporate managers. However, unlike site visits, conference calls may not offer the same level of disciplinary benefits, such as direct inspections of facilities or interaction with lower-level employees. To compare the impact of conference calls and site visits, we re-estimate our baseline model by including measures for conference call intensity (*ConfVisitFreq*) and visitor frequency (*ConfVisitorFreq*).

Columns (1)-(4) of Table 7 show that while conference call intensity is positively associated with investment, the interaction term *ConfVisitFreq * EPU_Exposure* is not significant. This indicates that conference calls do not mitigate the negative effects of EPU on investment to the same extent as site visits, suggesting that site visits provide unique governance benefits.

[Insert Table 7 about here]

4.3 Monitoring Effect of Site Visits

Previous studies have commonly measured institutional monitoring through institutional ownership (e.g., Bushee, 1998; Boone and White, 2015). Institutional shareholders enhance the efficiency of corporate governance by engaging in monitoring activities (e.g., Boone and White, 2015; Ramalingegowda and Yu, 2012; Chen et al., 2020). Corporate site visits allow investors to directly observe a firm's operations, evaluate managers' competencies, attitudes, and ethical values, and enforce discipline on the firms being visited (e.g., Cheng et al., 2016; Cao et al., 2024; Roberts et al., 2006). However, site visits by institutional shareholders may exert even greater influence on managers, as firms are particularly sensitive to the potential exit threat posed by these investors (e.g., Cao et al., 2022). Consequently, institutional shareholders' site visits are linked to increased investment activity.

Drawing from prior research (e.g., Bushee, 1998; Boone and White, 2015, Chen et al., 2020), we analyze monitoring hypothesis by comparing whether the visitor is shareholder or not. If institutional investor holds the visited firm's stock in given year, *Shareholder* is 1 and 0 otherwise. If institutional investor doesn't hold the visited firm's stock in given year, *non-Shareholder* is 1 and 0 otherwise. *VisitFreq_Shareholder* is the total number of shareholders' site visits. Conversely, *VisitFreq_non-Shareholder* is the total number of non-shareholders' site visits. Similarly, *VisitorFreq_Shareholder* is the total number of shareholders. *VisitorFreq_non-Shareholder* is the total number of non-shareholders. Table 8 displays the coefficients on *VisitFreq_Shareholder**

EPU_Exposure and *VisitorFreq_Shareholder*EPU_Exposure* are significantly positive, whereas the coefficients for non-shareholder site visits are less significant. Except for information transmission, our results also highlight the pivotal role of institutional investor's site visits, in enhancing corporate governance and driving firm-level investments.

[Insert Table 8 about here]

5. Cross-sectional analyses

5.1 Domestic and Foreign Institutional Investors

Due to geographic and cultural advantage, domestic institutional investors and analysts possess more information (e.g., Bae et al., 2008; Ferreira et al., 2017); they have a deeper understanding of local economic and political conditions. Accordingly, compared to foreign institutional investors, domestic institutional investors' site visits may speed up managers' information collection process. If our results are mainly driven by information channel, we expect that domestic institutional investors' site visits can improve the inefficient investment more when EPU exposure increase.

To explore these dynamics, we partition the sample into domestic and foreign institutional investor visits. *VisitFreq_Domestic* (*VisitFreq_Foreign*) is defined as the total number of on-site visits to the company by domestic (foreign) institutional investors in a given year. *VisitorFreq_Domestic* (*VisitorFreq_Foreign*) is defined as the total number of domestic (foreign) institutional investors who participate in on-site visit in a given year. Table 9 shows that domestic institutional visits are positively and significantly correlated with corporate investment during periods of high EPU exposure. However, the coefficients on foreign institutional visits are not statistically significant. This finding suggests that the information transfer drives our main finding.

[Insert Table 9 about here]

5.2 Political Connections

State-owned enterprises (SOEs) and non-state-owned enterprises (non-SOEs) exhibit systematic differences in their resource endowments and governance structures, leading to disparate reactions to EPU. Leveraging government connections, SOEs enjoy privileged access to policy information and possess greater economic resources, notably in securing bank loans (Claessens et al., 2008). Conversely, non-SOEs are more

reliant on internal financing mechanisms (Cull et al., 2015). Consequently, if our hypothesis posits that site visits can impart information regarding government policies, the resultant impact would be more pronounced for non-SOE firms. Alternatively, SOEs are better positioned to make informed investment decisions amidst uncertainty, benefiting from both superior informational advantages and a more diversified array of funding alternatives.

According to information transmission argument, we expect the effect of site visit on investment is more pronounced in non-SOEs when EPU exposure increases. Columns (1)-(4) of Table 10 display that institutional investor site visits significantly increase investment for non-SOEs, but not significantly influence investment for SOEs in periods of high EPU exposure. This suggests that site visits are more impactful for non-SOEs

Likely, we examine whether site visits benefit more for visited firms whose managers do not have political connections. Political connected firm can obtain EPU related information through participation in government meetings or in their own social networks. Politically related enterprises also obtain production factors (land and bank credit) at a lower cost and obtain greater government subsidies (both direct financial subsidies and a lower tax burden). That is, political connections have an effect of reducing financing constraints and of improving business performance with regard to a firm's investment (e.g., Claessens et al., 2008; Fan et al., 2007). Thus, site visits are expected to have a stronger impact on firms without political ties when EPU exposure rises.

Columns (5) and (6) of Table 10 present that institutional investor site visits (*VisitFreq*EPU_Exposure*) significantly increase investment for non-political connected firms during periods of high EPU exposure, whereas the effect on political connected firms is not statistically significant. This result confirms the positive effect of site visits in firms without political connections. Overall, our findings suggest that institutional investors' site visits are particularly valuable for non-SOEs or firms without political connections, as they help address information and financing disadvantages.

[Insert Table 10 about here]

5.3 Information environment

5.3.1 Information Asymmetry

Underinvestment may arise due to financial frictions stemming from information asymmetry between insiders and capital providers (Myers and Majluf, 1984; Ramalingegowda et al., 2013). However, site visits can mitigate this information asymmetry (Wang, 2019; Cao et al., 2024). If institutional investors' site visits serve as a critical conduit for reducing the adverse effects of information asymmetry on corporate investment, we anticipate that the impact of site visits on investment will be more accentuated in settings characterized by high information asymmetry, particularly when exposure to EPU increases.

To test our hypothesis, we categorize our sample based on changes in information asymmetry surrounding site visits. If our findings are indeed driven by the information benefits documented in Cheng et al. (2016), then the positive correlation between site visits and investment efficiency should be more pronounced for visits followed by a reduction in information asymmetry.

We measure information asymmetry using a class of price impact proxies, drawing on Goyenko, Holden, and Trzcinka (2008), depending on the specific proxy for percent effective spread employed.

$$Roll\_Impact_s = \frac{Roll_s}{Average\ Daily\ Volume_s} \tag{3}$$

The equation above defines a class of price impact proxies depending on what particular proxy for percent effective spread is used. For example, one member of this class is called the *Roll_Impact* measure for time interval s which uses Roll measure for time interval s and the average daily volume over time interval s as follows:

$$Roll_s = \begin{cases} 2\sqrt{-Cov(\Delta P_s, \Delta P_{s-1})}, When\ Cov(\Delta P_s, \Delta P_{s-1}) < 0 \\ 0, When\ Cov(\Delta P_s, \Delta P_{s-1}) \geq 0 \end{cases} \tag{4}$$

where *P* is stock return over time interval s. *High_Information_Symmetry* is equal to 1 if *Roll_Impact* is higher than the median of sample, 0 otherwise. Table 11 reports the results. The coefficients of *VisitFreq*EPU_Exposure* are both significant and positive in high and low information asymmetry group (P<0.10), and their difference is not significant (p=0.700). The coefficient of *VisitorFreq*EPU_Exposure* is positive and significant in high group whereas it is not significant in low group, suggesting that more site visitors can reduce information asymmetry and benefit corporate investment decisions when EPU exposure increases.

[Insert Table 11 about here]

5.3.2 Annual Report: EPU Insights

Managers often respond to rising EPU by increasing the frequency and detail of their corporate disclosures. Managers prefer to supply additional voluntary disclosure as information asymmetry increases (e.g., Coller and Yohn, 1997; Guay et al., 2016). The rationale behind this is that greater transparency can help mitigate the negative effects of uncertainty by reducing information asymmetry between the firm's management and external stakeholders. In particular, firms may provide more EPU-related information in their annual reports, such as in the Management Discussion and Analysis (MD&A) section, in an effort to address shareholder concerns and maintain investor confidence.

Accordingly, these firms would alleviate the information gaps that typically arise during periods of heightened uncertainty, thereby reducing the perceived risks associated with their operations. Besides, more extensive EPU-related disclosures also reflect a deeper understanding by managers of the impact of uncertainty on their operations. This enables them to proactively adjust investment strategies to align with the realities of their production activities and market conditions, thereby allowing firms to navigate uncertain environments more effectively. Thus, the effect of site visits on corporate investment is likely to be more pronounced for firms with limited EPU-related information disclosures.

To examine the effect of EPU-related information disclosure, we use the firm-level EPU index developed by Nie et al. (2020), which measures the extent of EPU-related information disclosed in the MD&A section of firms' annual reports. This index, known as the FEPU score, captures the frequency and depth of discussions related to EPU in the firm's public filings. Based on these FEPU scores, we divide firms into two groups: those with high EPU disclosure and those with low EPU disclosure. Our analysis, presented in Table 12, reveals an interesting pattern. The positive effect of site visits on corporate investment is concentrated among firms with lower levels of EPU-related disclosures. Our result underscores the complementary nature of site visits and transparency in mitigating the challenges posed by EPU.

[Insert Table 12 about here]

5.4 Monitoring Power

5.4.1 External monitoring

Based on the argument of monitoring channel, firms with stronger external monitoring mechanisms, such as Big Four auditors, higher institutional ownership, or greater media coverage, may benefit less from institutional investor site visits, as these alternative monitors already provide robust governance oversight.

We split the sample based on whether firm *i* has Big4 auditor (*Big4*) or the median value of *the proportion of institutional ownership* and the number of media coverage instances (*Media_Coverage*). Table 13 shows that institutional investor site visits have a stronger effect on investment for firms without strong alternative monitoring mechanisms. This suggests that institutional site visits play a more critical role in firms that lack other forms of external oversight.

[Insert Table 13 about here]

5.4.2 Agency Problems

EPU creates an environment in which managers may become more risk-averse or opportunistic in their decision-making. For instance, managers may hoard cash as a buffer against future uncertainties or postpone investments that, while potentially beneficial in the long run, may harm short-term financial performance. In firms where agency problems are more pronounced, such decisions are often influenced by personal interests—such as job security or compensation—rather than by the goal of maximizing shareholder value. During periods of EPU, institutional investors could increase their monitoring efforts to ensure that management does not engage in behaviors that could undermine shareholder value. We thus hypothesize that the monitoring incentives of institutional investors are stronger in firms with greater agency problems, whic increases corporate investment.

Following Cao et al. (2024), we use the ratio of related-party receivables at the end of year *t* to lagged total assets (*Agency_Problem*) to measure the severity of agency conflicts within a firm. In China, the most prominent agency problem arises from related parties tunneling corporate resources through inter-corporate loans, typically classified as "other receivables" (Firth et al., 2019; Jiang et al., 2010). Thereby, the higher number of the *Agency_Problem* represents that the firms have severe agency problem. As shown in Table 14, we discover the positive association between site visits

and investment is more pronounced among firms with greater agency problems. This finding supports the hypothesis that institutional investors are more motivated to monitor firms with higher potential for managerial opportunism, leading to improved investment outcomes.

[Insert Table 14 about here]

6. Conclusion

In this study, we investigate whether and how institutional investors' site visits mitigate the negative effects of EPU on corporate investment. Unlike previous research that primarily emphasizes the monitoring role of institutional investors, we focus on their role in information transmission. We argue that site visits facilitate the sharing of EPU-related information among firms visited by the same institutional investors and allow them to monitor management directly, thereby improving corporate investment outcomes. Using data from Chinese A-share firms listed on the Shenzhen Stock Exchange between 2013 and 2023, we find that institutional investors' site visits are positively associated with corporate investment for firms with higher EPU exposure. This effect is particularly pronounced when the visitors have previously visited state-owned enterprises or politically connected firms, or when the visitors are institutional shareholders with stronger incentives and greater capacity to monitor management. These findings highlight the dual role of site visits in mitigating uncertainty and enhancing investment decisions.

The cross-sectional tests examine whether the effects of site visits vary in visitor or visited firm specific characteristics. We find that domestic institutional investors possess a deeper understanding of the domestic political and economic environment, thereby their site visits significantly increase investment when firm face high exposure to EPU. Site visits also have a more pronounced effect on non-SOEs and firms without political connections, addressing their information and financing disadvantages. Additionally, firms with poor information environment and weaker external monitoring benefit more from site visits. Overall, our findings highlight that site visits provide both informational and disciplinary benefits for corporate investment.

This paper contributes to the literature in several ways. First, it extends research

on the impact of EPU on firm investment by identifying institutional investors' site visits as a mechanism that mitigates these negative effects. Second, it builds on the literature on corporate site visits by showing that their role extends beyond disciplinary monitoring to reducing information asymmetry and aiding managers in making better investment decisions. Unlike previous studies that focus on benefits to investors, this study highlights the advantages site visits provide to the visited firms. Finally, it introduces a new dimension to the study of information transmission, demonstrating that site visits enable managers to acquire decision-relevant information during periods of heightened EPU, offering a distinct pathway through which site visits influence corporate investment decisions.

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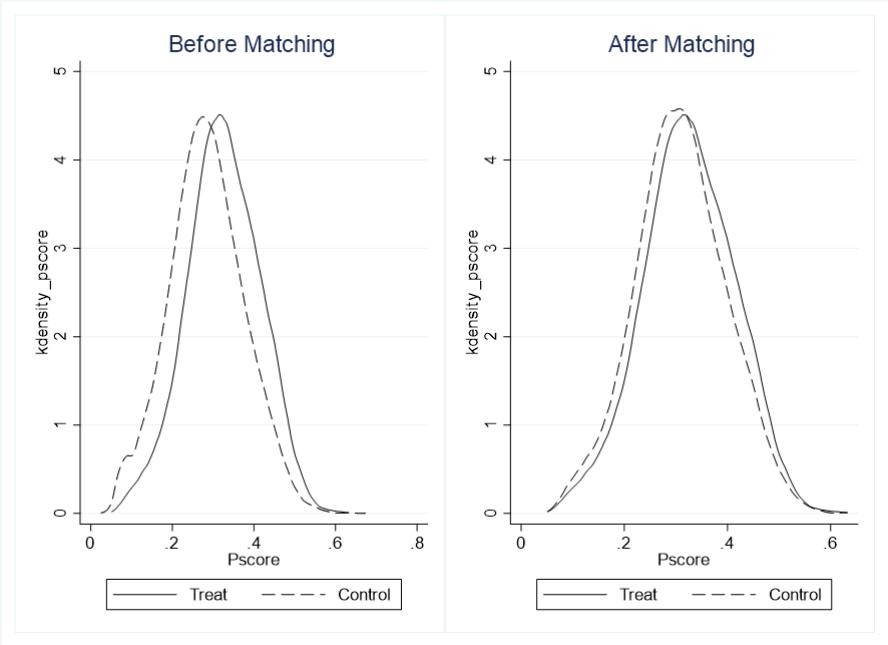
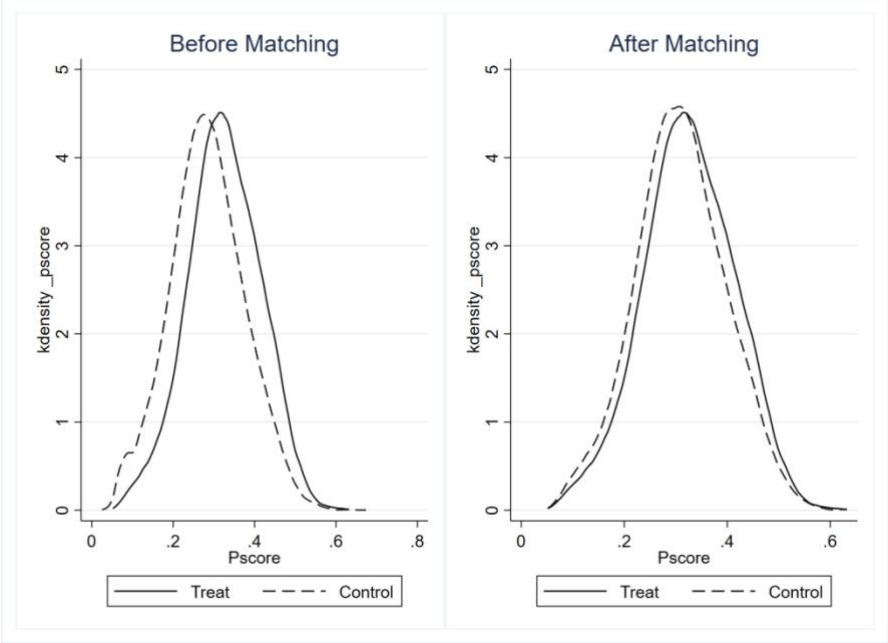


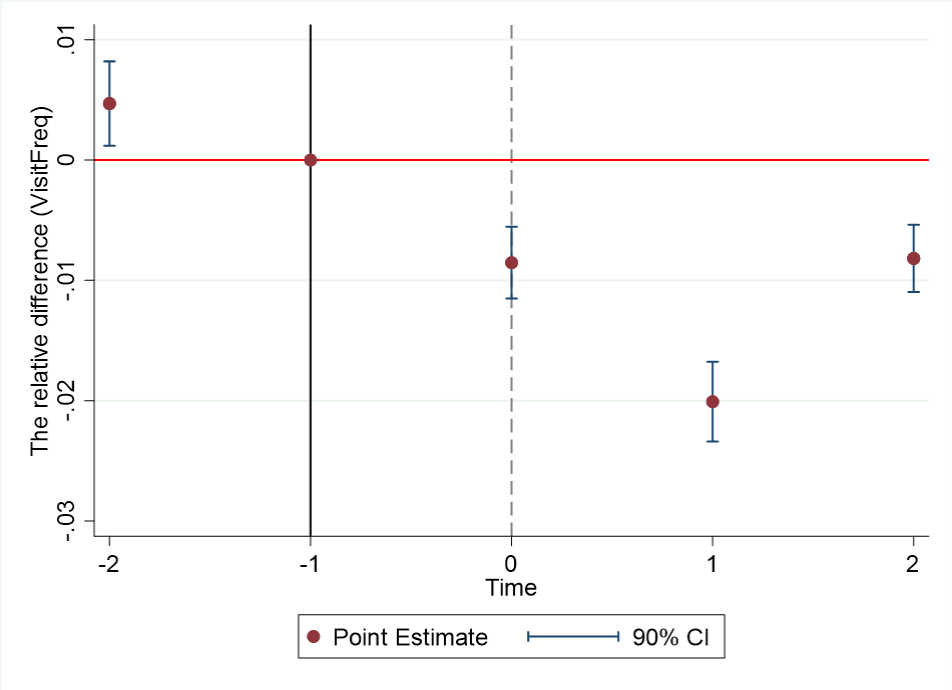
Panel A



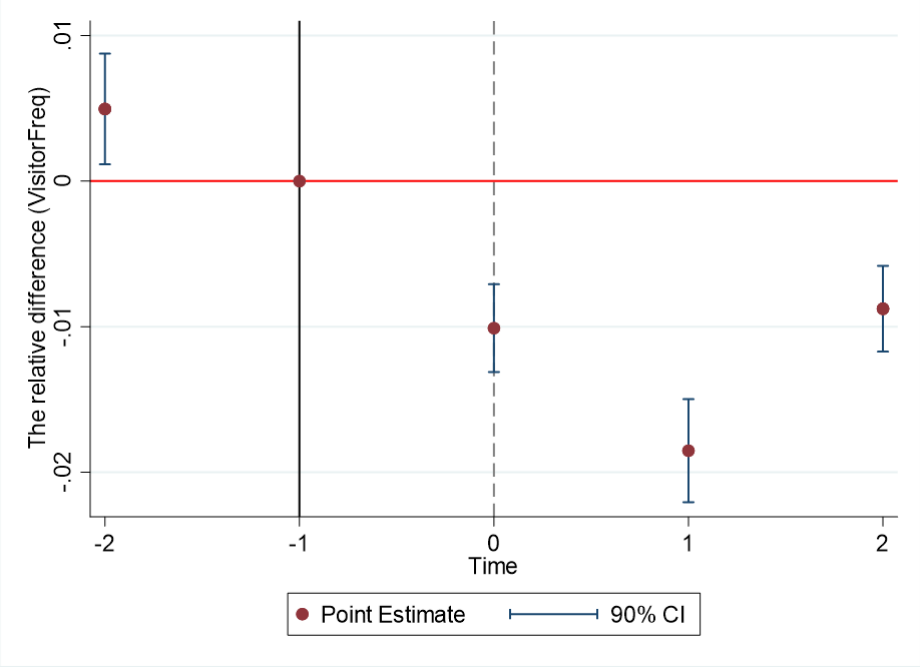
Panel B

Fig. 1. Kernel density before and after propensity score matching

This figure reports Kernel density before and after propensity score matching. This figure portrays the propensity score of treatment group and control group before and after matching for the two measures of site visit in panel A (*VisitFreq*) and B (*VisitorFreq*), respectively. Visit Frequency (*VisitFreq*) is the natural logarithm of one plus the total number of site visits conducted by institutional investors to a firm in a given calendar year.Visitor Frequency (*VisitorFreq*) is calculated as the natural logarithm of one plus the number of unique institutional visitors participating in site visits each year.

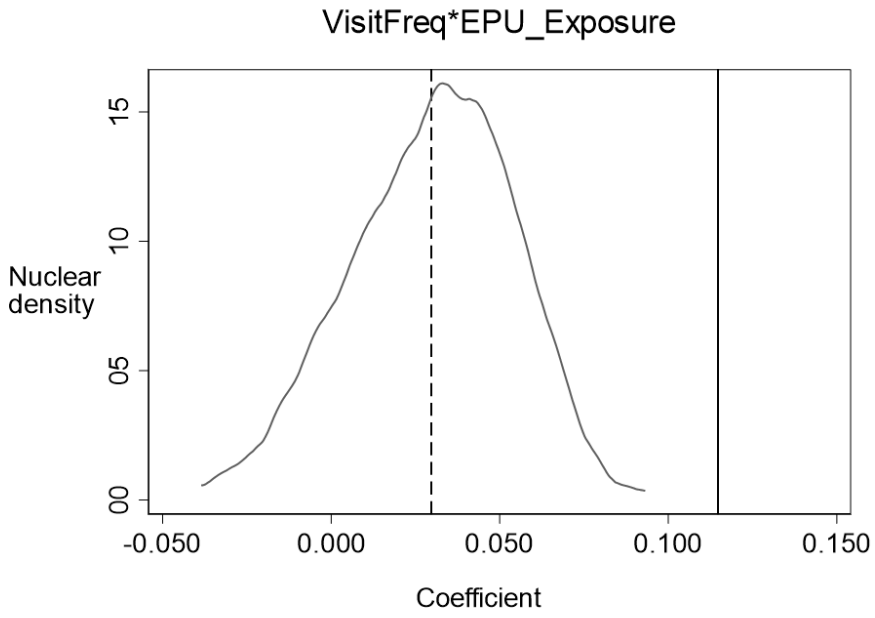


Panel A

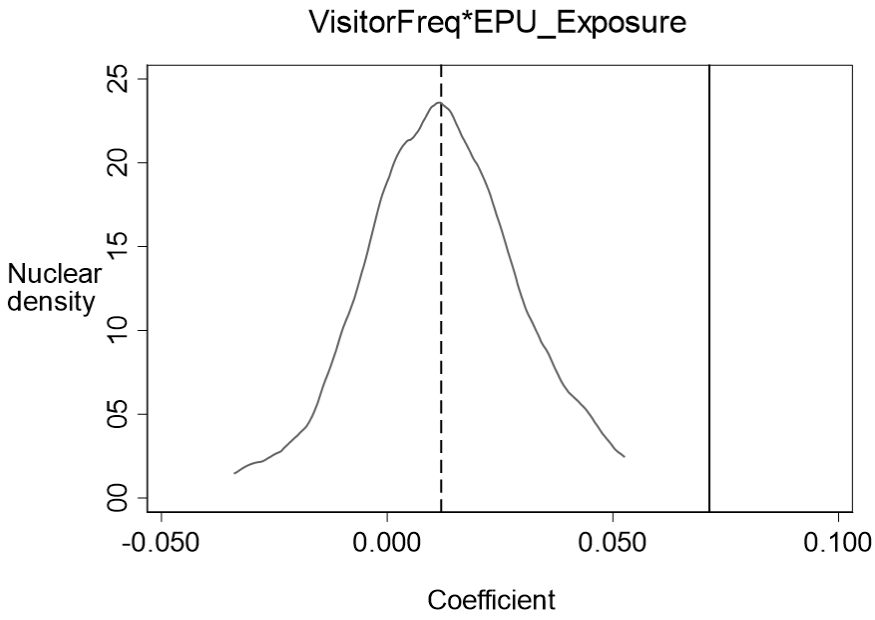


Panel B

Fig. 2. Parallel trend
This figure shows the difference in investment between the treatment group and the control group from two years before the 2015 reform to two years after the 2015 reform. The beginning year of the supply-side structural reform (2015) is denoted as Time 0.



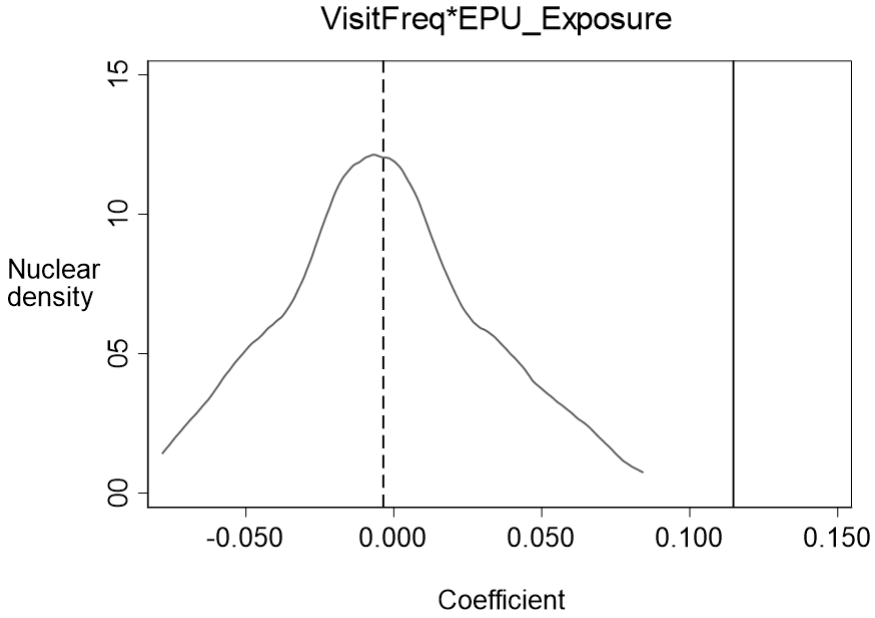
Panel A



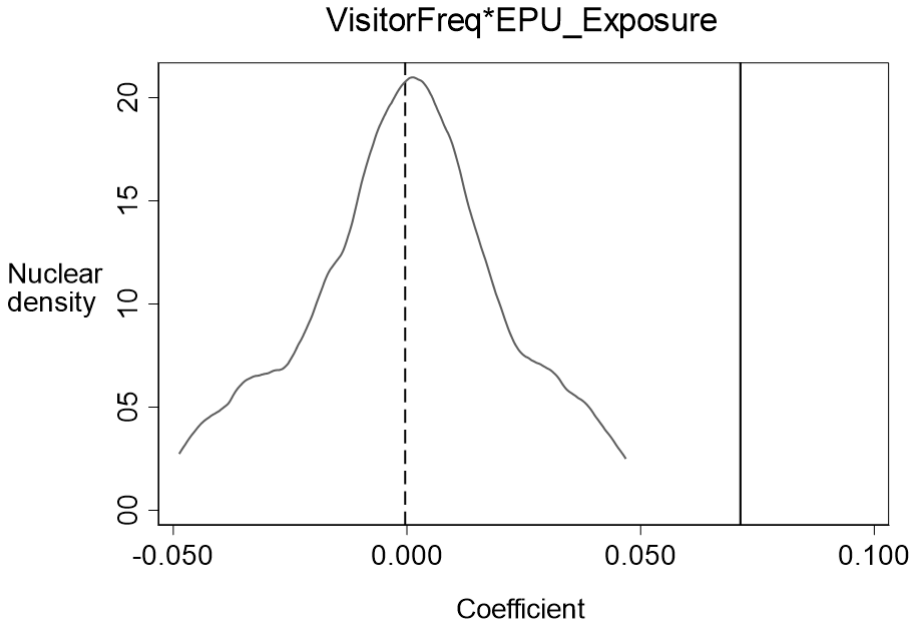
Panel B

Fig. 3. Placebo coefficient distribution of placebo test 1

This figure illustrates the distribution of the placebo coefficients of *VisitFreq* EPU_Exposure* and *VisitorFreq* EPU_Exposure* from 1000 times placebo tests in placebo test 1, where we randomize the EPU exposure measure within a firm. The x-axis reports the coefficient value, where the y-axis reports nuclear density. The solid line is the real value of the coefficient, and the dashed line is the mean of the placebo coefficients of *VisitFreq* EPU_Exposure* and *VisitorFreq* EPU_Exposure* from 1000 times placebo tests.



Panel A



Panel B

Fig. 4. Placebo coefficient distribution of placebo test 2

Figure 6 illustrates the distribution of the placebo coefficients of *VisitFreq* EPU_Exposure* and *VisitorFreq* EPU_Exposure* from 1000 times placebo tests in placebo test 2, where we randomize the EPU exposure measure within a year. The x-axis reports the coefficient value, where the y-axis reports nuclear density. The solid line is the real value of the coefficient, and the dashed line is the mean of the placebo coefficients of *VisitFreq* EPU_Exposure* and *VisitorFreq* EPU_Exposure* from 1000 times placebo tests.

Table 1. Descriptive statistics

Variable name	Obs	Mean	SD	Min	Median	Max
Invest	24,436	0.075	0.058	0.003	0.061	0.306
EPU_Exposure	24,436	-0.003	0.008	-0.032	-0.002	0.019
VisitFreq	24,436	0.582	0.852	0.000	0.000	3.135
VisitorFreq	24,436	0.857	1.471	0.000	0.000	5.011
Size	24,436	22.355	1.271	20.120	22.160	26.370
ROA	24,436	0.034	0.063	-0.250	0.034	0.198
TobinQ	24,436	2.061	1.289	0.836	1.649	8.195
CashFlow	24,436	0.056	0.075	-0.152	0.052	0.294
SaleGrowth	24,436	0.067	0.248	-0.959	0.091	0.671

Note: This table reports the descriptive statistics of the variables, which are defined in Appendix. Columns (1)–(6) provide the sample size, mean value, standard deviations, minimum value, median value and maximum value, respectively.

Table 2
Pearson correlation coefficients

	Invest	EPU_Exposure	VisitFreq	VisitorFreq	Size	ROA	TobbinQ	CashFlow	SaleGrowth
Invest	1								
EPU_Exposure	-0.035***	1							
VisitFreq	0.159***	0.00900	1						
VisitorFreq	0.126***	-0.00700	0.769***	1					
Size	-0.088***	0.048***	-0.034***	-0.053***	1				
ROA	0.204***	-0.0100	0.160***	0.128***	0.050***	1			
TobinQ	0.193***	0.00200	0.118***	0.122***	-0.365***	0.206***	1		
CashFlow	0.214***	-0.00600	0.064***	0.042***	0.086***	0.464***	0.148***	1	
SaleGrowth	0.170***	0.023***	0.146***	0.137***	0.059***	0.370***	0.080***	0.144***	1

Note: This table presents Spearman's rank correlations of the variables, which are defined in Appendix. *, ** and *** denote 10%, 5% and 1% significance levels, respectively.

Table 3
Baseline regression

	Dependent Variable: *Invest*			
	(1)	(2)	(3)	(4)
EPU_Exposure	-0.112*	-0.139**	-0.101	-0.130**
	(-1.71)	(-2.18)	(-1.56)	(-2.09)
VisitFreq	0.011***	0.008***		
	(14.51)	(10.96)		
VisitFreq*EPU_Exposure	0.105*	0.115**		
	(1.84)	(2.12)		
VisitorFreq			0.005***	0.004***
			(12.32)	(9.24)
VisitorFreq*EPU_Exposure			0.065*	0.071**
			(1.92)	(2.23)
Size		-0.000		0.000
		(-0.14)		(0.00)
ROA		0.048***		0.053***
		(5.78)		(6.34)
TobinQ		0.006***		0.006***
		(9.29)		(9.33)
CashFlow		0.098***		0.099***
		(13.25)		(13.29)
SaleGrowth		0.024***		0.024***
		(13.12)		(13.31)
Constant	0.069***	0.052***	0.071***	0.051***
	(87.99)	(3.61)	(94.47)	(3.53)
Controls	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	24,436	24,436	24,436	24,436
Adj.R-squared	0.137	0.198	0.131	0.195

Note: This table reports the relation between site visits and corporate investment. See Appendix for detailed variable definitions. The *t*-statistics are reported in brackets and standard errors are robust to heteroskedasticity and clustered at the firm level. ***, **, and * indicate significance at the 1 percent, 5 percent, and 10 percent levels, respectively.

Table 4
Difference-in-differences (DID) estimates

Panel A: Univariate DID estimates (Treatment group is *High_VisitFreq*).				
	(1)	(2)	(3)	(4)
	Control	Treat	Diff (T-C)	t-statistic
Size	22.271	22.261	-0.010	-0.64
ROA	0.045	0.045	-0.000	-0.17
TobinQ	2.256	2.248	-0.008	-0.40
CashFlow	0.059	0.060	0.001	1.21
SaleGrowth	0.111	0.111	-0.001	0.17
Panel B: Univariate DID estimates (Treatment group is *High_VisitorFreq*).				
	(1)	(2)	(3)	(4)
	Control	Treat	Diff (T-C)	t-statistic
Size	22.153	22.157	0.004	0.24
ROA	0.044	0.043	-0.001	-1.06
TobinQ	2.288	2.248	0.040*	-1.77
CashFlow	0.057	0.057	-0.000	-0.08
SaleGrowth	0.107	0.110	0.004	1.04
Panel C: PSM-DID estimation results.				
	Dependent Variable: *Invest*			
	(1)		(2)	
Post*High_VisitFreq	0.0104***			
	(0.00)			
Post*High_VisitorFreq			0.0058***	
			(0.00)	
Constant	0.0522***		0.0476***	
	(0.02)		(0.02)	
Controls	YES		YES	
Industry FE	YES		YES	
Year FE	YES		YES	
Observations	17,393		15,359	
Adjusted R^2	0.172		0.172	

Note: Panels A and B report the balance tests across control and treatment observations in the matched sample. Treat denotes the matched sample using propensity score matching, taking 1 for firms with high intensity of site visits and 0 for matched firms with high intensity of site visit. Panel C reports the estimation results using the supply-side structural reform in 2015 as a quasi-natural experiment. *Post* is a dummy indicating the years pre- and post- the supply side structural reform in 2015, taking 1 after 2015 and 0 otherwise. Definitions for all variables are provided in the Appendix. The *t*-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, ** and *** denote 10%, 5%, and 1% significance levels, respectively.

Table 5
Robustness Check

	Dependent Variable: *Invest*							
	Alternative EPU_Exposure measure		Alternative Investment measure		Local political uncertainty		Covid-19	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
EPU_Exposure			-5.458***	-4.288***	-0.140**	-0.131**	-0.156**	-0.147**
			(-3.33)	(-2.61)	(-2.20)	(-2.10)	(-2.55)	(-2.45)
VisitFreq	-0.003		0.048***		0.008***		0.008***	
	(-0.56)		(3.10)		(10.96)		(10.82)	
VisitFreq*EPU_Exposure	0.000**		4.109***		0.115**		0.116**	
	(1.99)		(2.98)		(2.12)		(2.16)	
VisitorFreq		0.005*		0.027***		0.004***		0.004***
		(1.65)		(2.92)		(9.24)		(8.46)
VisitorFreq*EPU_Exposure		-0.000		1.467		0.071**		0.073**
		(-0.51)		(1.55)		(2.23)		(2.30)
PU					0.001	0.000		
					(0.41)	(0.37)		
Constant	0.054***	0.054***	0.564*	0.553*	0.052***	0.052***	0.044***	0.044***
	(3.75)	(3.75)	(1.91)	(1.87)	(3.61)	(3.61)	(2.98)	(2.98)
Controls	YES	YES	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Observations	24,483	24,483	24,433	24,433	24,426	24,426	18,759	18,759
Adjusted R^2	0.199	0.199	0.203	0.202	0.198	0.198	0.185	0.185

Note: This table reports results of robustness tests. For all the analysis we employ OLS estimation with year and industry fixed effects, and control for firm-specific variables. Columns (1) and (2) report the estimation results by employing alternative definition for EPU exposure and investment, respectively. In Column (1), EPU exposure is defined as Baker et al. (2016) economic and policy uncertainty index. In Column (2), investment is redefined as capital expenditures plus R&D expenditures scaled by net fixed assets in last year. Columns (3) and (4) report the estimation results by excluding the effect of local political uncertainty and Covid-19. In Column (3), *PU* is equal to 1 if there is a change in provincial government officials at the firm's headquarters, 0 otherwise. In Column (4), we employ a sub-sample without 2020 and 2021 to re-examine our basic model. Definitions for all variables are provided in the Appendix. The *t*-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, ** and *** denote 10%, 5%, and 1% significance levels, respectively.

Table 6
Mechanism analyses: Information transmission

	Dependent Variable: *Invest*			
	(1)	(2)	(3)	(4)
EPU_Exposure	-0.133**	-0.074	-0.127**	-0.115*
	(-2.17)	(-1.32)	(-2.02)	(-1.91)
VisitFreq_SOE	0.010***			
	(9.66)			
VisitFreq_SOE*EPU_Exposure	0.164**			
	(2.20)			
VisitorFreq_SOE		0.004***		
		(4.87)		
VisitorFreq_SOE*EPU_Exposure		0.051		
		(0.50)		
VisitFreq_PC			0.008***	
			(9.30)	
VisitFreq_PC*EPU_Exposure			0.119*	
			(1.86)	
VisitorFreq_PC				0.004***
				(9.65)
VisitorFreq_PC*EPU_Exposure				0.066**
				(1.97)
Constant	0.056***	0.052***	0.053***	0.058***
	(3.92)	(3.57)	(3.66)	(3.99)
Controls	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	24,436	24,436	24,436	24,436
Adjusted R^2	0.196	0.188	0.196	0.196

Note: This table reports the results of testing EPU related information transfers via corporate site visits. *VisitFreq_SOE* (*VisitFreq_PC*) is defined as the total number of on-site research visits to the company by institutional investors who have previously researched SOEs (firms with politically connected managers) in a given year. If institutional investors have conducted on-site research on SOEs (firms with politically connected managers) in the same year, *Visitor_SOE* (*Visitor_PC*) is set to 1. *VisitorFreq_SOE* (*VisitorFreq_PC*) is defined as the total number of institutional investors who have previously researched SOEs (firms with politically connected managers) and conducted on-site research on the company in a given year. Definitions for all variables are provided in the Appendix. The *t*-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, ** and *** denote 10%, 5%, and 1% significance levels, respectively.

Table 7
Conference Calls as an Alternative Information Channel

	Dependent Variable: *Invest*			
	Conference Call			
	(1)	(2)	(3)	(4)
EPU_Exposure	-0.072	-0.133**	-0.065	-0.128**
	(-1.30)	(-2.08)	(-1.18)	(-2.02)
ConfVisitFreq	0.002***	0.001***		
	(6.91)	(3.87)		
ConfVisitFreq*EPU_Exposure	0.030	0.007		
	(0.81)	(0.20)		
VisitFreq		0.007***		
		(9.64)		
VisitFreq*EPU_Exposure		0.105*		
		(1.92)		
ConfVisitorFreq			0.000***	0.000***
			(4.89)	(4.86)
ConfVisitorFreq*EPU_Exposure			0.000	0.000
			(0.17)	(0.12)
VisitorFreq				0.004***
				(9.22)
VisitorFreq*EPU_Exposure				0.069**
				(2.17)
Constant	0.060***	0.057***	0.059***	0.059***
	(4.13)	(3.95)	(4.08)	(4.09)
Controls	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	24,436	24,436	24,436	24,436
Adjusted R^2	0.192	0.200	0.189	0.197

Note: This table presents analyses of alternative explanations for why site visit of institutional investors can interupt the relationship between EPU and firm investment with alternative mesarues fo our key variables. *ConfVisitFreq* is measured as the natural logarithm of 1 plus the total number of conference calls. *ConfVisitorFreq* is measured as the natural logarithm of 1 plus the total number of conference calls visitors. Definitions for all variables are provided in the Appendix. The t-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 8
Mechanism analyses: Monitoring effect

	Dependent Variable: *Invest*	
	(1)	(2)
EPU_Exposure	-0.113*	-0.115*
	(-1.93)	(-1.95)
VisitFreq_Shareholder	0.004***	
	(4.05)	
VisitFreq_Shareholder*EPU_Exposure	0.170**	
	(2.13)	
VisitFreq_non-Shareholder	0.000***	
	(9.00)	
VisitFreq_non-Shareholder*EPU_Exposure	0.004*	
	(1.80)	
VisitorFreq_Shareholder		0.004***
		(4.09)
VisitorFreq_Shareholder*EPU_Exposure		0.172**
		(2.11)
VisitorFreq_non-Shareholder		0.000***
		(9.04)
VisitorFreq_non-Shareholder*EPU_Exposure		0.004*
		(1.83)
Constant	0.063***	0.063***
	(4.40)	(4.41)
Controls	YES	YES
Industry FE	YES	YES
Year FE	YES	YES
Observations	24,436	24,436
Adjusted R^2	0.196	0.196

Note: This table reports the results of testing monitoring effect of corporate site visits. *VisitFreq_Shareholder* is the natural logarithm of 1 plus the total number of site visits that include at least one visitor from an institution that holds the visited firm's equity. *VisitFreq_non-Shareholder* is the natural logarithm of 1 plus the total number of site visits that do not include visitors from institutions that hold the visited firm's equity. Similarly, *VisitorFreq_Shareholder* is the natural logarithm of 1 plus the total number of visitors from site visits that include at least one visitor from an institution that holds the visited firm's equity. *VisitorFreq_non-Shareholder* is the natural logarithm of 1 plus the total number of visitors from site visits that do not include visitors from institutions that hold the visited firm's equity. Definitions for all variables are provided in the Appendix. The *t*-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, ** and *** denote 10%, 5%, and 1% significance levels, respectively.

Table 9
Heterogeneous analyses: Domestic and foreign institution

	Dependent Variable: *Invest*			
	Domestic Institution		Foreign Institution	
	(1)	(2)	(3)	(4)
EPU_Exposure	-0.145**	-0.145**	-0.084	-0.084
	(-2.26)	(-2.27)	(-1.50)	(-1.49)
VisitFreq_Domestic	0.004***			
	(10.14)			
VisitFreq_Domestic*EPU_Exposure	0.079**			
	(2.50)			
VisitorFreq_Domestic		0.004***		
		(10.13)		
VisitorFreq_Domestic*EPU_Exposure		0.082**		
		(2.51)		
VisitFreq_Foreign			0.010***	
			(6.21)	
VisitFreq_Foreign*EPU_Exposure			0.203	
			(1.40)	
VisitorFreq_Foreign				0.010***
				(6.21)
VisitorFreq_Foreign*EPU_Exposure				0.204
				(1.39)
Constant	0.056***	0.056***	0.065***	0.065***
	(3.88)	(3.87)	(4.54)	(4.54)
Controls	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	24,436	24,436	24,436	24,436
Adjusted R^2	0.198	0.198	0.191	0.191

Note: This table reports the relation between domestic (foreign) institutional investors' corporate site visits and corporate investment. *VisitFreq_Domestic* (*VisitFreq_Foreign*) is defined as the total number of on-site visits to the company by domestic (foreign) institutional investors in a given year. *VisitorFreq_Domestic* (*VisitorFreq_Foreign*) is defined as the total number of domestic (foreign) institutional investors who participate in on-site visit in a given year. Definitions for all variables are provided in the Appendix. The t-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, ** and *** denote 10%, 5%, and 1% significance levels, respectively.

Table 10
Heterogeneous analyses: Political connections

	Dependent Variable: Invest							
	SOE firm				Political-connected manager			
	(1) Yes	(2) No	(3) Yes	(4) No	(5) Yes	(6) No	(7) Yes	(8) No
EPU_Exposure	-0.124	-0.121	0.089	-0.138	0.033	-0.168**	-0.002	-0.154**
	(-0.65)	(-0.88)	(0.49)	(-1.05)	(0.17)	(-2.51)	(-0.01)	(-2.33)
VisitFreq	0.006***	0.004***			0.002	0.008***		
	(3.53)	(3.50)			(0.88)	(10.38)		
VisitFreq*EPU_Exposure	0.010	0.175**			0.079	0.139**		
	(0.09)	(2.15)			(0.72)	(2.21)		
VisitorFreq			0.002**	0.003***			0.003***	0.004***
			(2.49)	(4.83)			(3.09)	(7.69)
VisitorFreq*EPU_Exposure			-0.113*	0.120***			0.070	0.078**
			(-1.75)	(2.58)			(1.02)	(2.18)
Constant	0.071*	-0.004	0.064	-0.003	0.026	0.051***	0.028	0.050***
	(1.68)	(-0.13)	(1.53)	(-0.10)	(0.61)	(3.43)	(0.66)	(3.34)
Controls	YES	YES	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Observations	2,572	8,976	2,572	8,976	3,321	21,115	3,321	21,115
Adjusted R^2	0.210	0.175	0.208	0.177	0.184	0.201	0.189	0.196

Note: This table shows the relationship between institutional investors' visits to corporate sites and corporate investment for firms visited by state-owned enterprises (SOEs) or firms whose managers lack political connections. Definitions for all variables are provided in the Appendix. The t-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 11
Heterogeneous analyses: Information asymmetry

	Dependent Variable: *Invest*			
	Information asymmetry			
	(1) High	(2) Low	(3) High	(4) Low
EPU_Exposure	0.129	-0.189**	-0.160*	-0.141
	(-1.49)	(-2.08)	(-1.85)	(-1.61)
VisitFreq	0.011***	0.006***		
	(12.13)	(6.10)		
VisitFreq*EPU_Exposure	0.114*	0.150*		
	(1.69)	(1.91)		
VisitorFreq			0.006***	0.003***
			(10.21)	(5.16)
VisitorFreq*EPU_Exposure			0.114***	0.051
			(2.60)	(1.17)
Constant	0.156***	0.001	0.156***	0.001
	(8.25)	(0.07)	(8.22)	(0.04)
Controls	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	12,208	12,228	12,208	12,228
Adjusted R^2	0.171	0.236	0.166	0.234

Note: This table reports the relation between institutional investors' corporate site visits and corporate investment for firms with high/low information asymmetry. Information asymmetry is measured as *Roll_Impact*, which is equal to *Rolls* over time interval *s* scaled by the average daily dollar volume over time interval *s*. *Rolls* is calculated by Eq. (4). *High_Information_Symmetry* is equal to 1 if *Roll_Impact* is higher than the median of sample, 0 otherwise. All variables are defined in the Appendix. The t-statistics reported in parentheses are based on standard errors clustered by firm. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 12

Heterogeneous analyses：EPU Impact Highlights in Annual Report

	Dependent Variable: *Invest*			
	EPU related words on annual reports			
	(1) High	(2) Low	(3) High	(4) Low
EPU_Exposure	-0.157*	-0.130	-0.142	-0.133
	(-1.68)	(-1.55)	(-1.55)	(-1.60)
VisitFreq	0.007***	0.008***		
	(7.33)	(8.72)		
VisitFreq*EPU_Exposure	0.085	0.143**		
	(0.92)	(2.17)		
VisitorFreq			0.003***	0.004***
			(4.66)	(7.90)
VisitorFreq*EPU_Exposure			0.053	0.095**
			(0.99)	(2.40)
Constant	0.047***	0.050**	0.046***	0.051**
	(2.70)	(2.53)	(2.58)	(2.57)
Controls	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	11,285	11,286	11,285	11,286
Adjusted R^2	0.200	0.196	0.195	0.194

Note: This table reports the relation between institutional investors' corporate site visits and corporate investment for high or low corporate textual disclosures related to EPU. Building on the work of Nie et al. (2020), we utilize firm-level EPU index to measure corporate textual disclosures. The higher values of firm-level EPU index indicates greater information disclosure related with EPU. All variables are defined in the Appendix. The t-statistics reported in parentheses are based on standard errors clustered by firm. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 13
Heterogeneous analyses: External monitoring

	Dependent Variable: *Invest*											
	Big 4				The proportion of institutional ownership				Media_Coverage			
	(1) Yes	(2) No	(3) Yes	(4) No	(5) High	(6) Low	(7) High	(8) Low	(9) High	(10) Low	(11) High	(12) Low
EPU_Exposure	0.005	-0.145**	0.053	-0.142**	-0.137	-0.145*	-0.113	-0.154*	-0.110	-0.208*	-0.108	-0.201*
	(0.02)	(-2.16)	(0.27)	(-2.15)	(-1.58)	(-1.72)	(-1.33)	(-1.83)	(-1.43)	(-1.86)	(-1.41)	(-1.85)
VisitFreq	0.004	0.008***			0.008***	0.008***			0.006***	0.009***		
	(1.46)	(11.16)			(9.04)	(9.13)			(6.16)	(10.09)		
VisitFreq*EPU_Exposure	0.122	0.111**			0.060	0.187***			0.096	0.169**		
	(0.73)	(1.97)			(0.85)	(2.64)			(1.43)	(2.10)		
VisitorFreq			0.001	0.004***			0.004***	0.004***			0.003***	0.004***
			(0.39)	(9.51)			(7.50)	(7.87)			(5.67)	(8.04)
VisitorFreq*EPU_Exposure			0.046	0.074**			0.020	0.137***			0.064	0.107**
			(0.45)	(2.21)			(0.48)	(3.21)			(1.62)	(2.21)
Constant	0.046	0.060***	0.046	0.059***	0.037**	0.076***	0.037**	0.075***	0.093***	0.096***	0.093***	0.095***
	(0.81)	(3.77)	(0.83)	(3.75)	(2.19)	(4.62)	(2.14)	(4.53)	(4.52)	(4.62)	(4.52)	(4.57)
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	1,470	22,966	1,470	22,966	12,205	12,205	12,205	12,205	11,749	11,880	11,749	11,880
Adjusted R^2	0.319	0.195	0.315	0.192	0.205	0.190	0.202	0.187	0.238	0.175	0.237	0.170

Note: This table reports the relation between institutional investors' corporate site visits and corporate investment across different type of monitoring mechanism. We construct a several variables, such as Big4 auditor, institutional ownership and media coverage to measure the overall strength of alternative monitoring mechanisms. Based on whether firm *i* has Big4 auditor (*Big4*) or the median value of *the proportion of institutional ownership* and the number of media coverage instances (*Media_Coverage*), we split our sample into two groups. All variables are defined in the Appendix. The t-statistics reported in parentheses are based on standard errors clustered by firm. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 14
Heterogeneous analyses: Agency problem

	Dependent Variable: *Invest*			
	Agency Problem			
	(1) High	(2) Low	(3) High	(4) Low
EPU_Exposure	-0.042	-0.203**	-0.009	-0.211**
	(-0.44)	(-2.39)	(-0.10)	(-2.53)
VisitFreq	0.008***	0.008***		
	(8.87)	(7.30)		
VisitFreq*EPU_Exposure	0.167**	0.046		
	(2.35)	(0.60)		
VisitorFreq			0.004***	0.004***
			(7.59)	(6.08)
VisitorFreq*EPU_Exposure			0.083**	0.044
			(1.99)	(0.94)
Constant	0.043**	0.064***	0.042**	0.062***
	(2.33)	(3.19)	(2.29)	(3.10)
Controls	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	12,218	12,218	12,218	12,218
Adjusted R^2	0.210	0.197	0.206	0.194

Note: This table presents cross-sectional analyses based on visited-firm-specific characteristics related to the monitoring mechanisms. The sample is split by the median of *Agency_Problem* where *Agency_Problem* is proxied by related-party accounts receivables at the end of year t scaled by lagged total assets. Definitions for all variables are provided in the Appendix. The t-statistics, reported in parentheses, are calculated using standard errors clustered by firm. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Appendix: Variable Definitions

Variables	Definitions
Invest	Invest measured as the sum of capital expenditure and R&D expenses scaled by beginning-of-year book assets.
EPU_Exposure	EPU exposure. This variable is measured by the value of β_j^{EPU}*1000.
Size	Firm size as measured by the natural logarithm of the market value of equity.
ROA	Return on assets as calculated by net profit divided by the book value of the total assets.
TobinQ	Tobin's Q as calculated by the market value of equity divided by the book value of the total assets.
Cash	Cash ratio as measured by the cash held by firms to the total assets.
SaleGrowth	Sale growth rate (*SaleGrowth*) is the percentage of sales growth from year t-1 to year t.
Post	It is equal to 1 if the years after the reform in 2015 and 0 otherwise.
PU	It is equal to 1 if there is a change in provincial government officials at the firm's headquarters, 0 otherwise.
VisitFreq_SOE	It is defined as the total number of on-site research visits to the company by institutional investors who have previously researched SOE firms in a given year.
VisitFreq_PC	It is defined as the total number of on-site research visits to the company by institutional investors who have previously researched firms with politically connected managers in a given year.
VisitorFreq_SOE	It is defined as the total number of institutional investors who have previously researched SOE firms and conducted on-site research on the company in a given year.
VisitorFreq_PC	It is defined as the total number of institutional investors who have previously researched firms with politically connected managers and conducted on-site research on the company in a given year.
VisitFreq_Shareholder	It is the natural logarithm of 1 plus the total number of site visits that include at least one visitor from an institution that holds the visited firm's equity.
VisitFreq_non-Shareholder	It is the natural logarithm of 1 plus the total number of site visits that do not include visitors from institutions that hold the visited firm's equity.
VisitorFreq_Shareholder	It is the natural logarithm of 1 plus the total number of visitors from site visits that include at least one visitor from an institution that holds the visited firm's equity.
VisitorFreq_non-Shareholder	It is the natural logarithm of 1 plus the total number of visitors from site visits that do not include visitors from institutions that hold the visited firm's equity.
VisitFreq_Domestic	It is defined as the total number of on-site visits to the company by domestic institutional investors in a given year.
VisitFreq_Foreign	It is defined as the total number of on-site visits to the company by foreign institutional investors in a given year.
VisitorFreq_Domestic	It is defined as the total number of domestic institutional investors who participate in on-site visit in a given year.

VisitorFreq_Foreign	It is defined as the total number of foreign institutional investors who participate in on-site visit in a given year.
Roll_Impact	It is defined as *Roll* over time interval *s*, scaled by the average daily volume over time interval *s*.
FEPU	It is quantified by calculating the ratio of the number of uncertainty-related words within economic policy uncertainty sentences to the total number of words in the Management Discussion and Analysis (MD&A) section.
Big4	It equals 1 if firm *i* in year *t* is audited by one of the Big-4, which refer to the biggest four international auditors, Deloitte, PwC, EY, and KPMG, and 0 otherwise.
Proportion of institutional ownership	It is definded as the ratio of institutional holdings on outstanding shares.
Media_Coverage	It is definded as the number of media coverage instances.
Agency_Problem	It is definded as as related-party accounts receivables at the end of year, scaled by total assets in last year.