Transactions on Economics, Business and Management Research
ISSN: 2960-1789, eISSN: 2960-2254 | Volume 18
GEBM 2026

The Dynamic Impact of Macroeconomic Uncertainty on Corporate Accounting Policy Choices

Xueyue Zhang, Xiaoyun Jiang *

Business School, University of Shanghai for Science and Technology, Shanghai, China, 200093

* Corresponding Author Email: xiaoyun_nj@163.com

Abstract. Against the backdrop of an increasingly complex macroeconomic environment, macroeconomic uncertainty has become an important external factor shaping corporate decision-making. Using a sample of Chinese A-share listed firms, this paper examines the impact of macroeconomic uncertainty on corporate accounting policy choices and their dynamic features. The results show that macroeconomic uncertainty significantly affects corporate accounting policy choices and, on average, strengthens firms' strategic financial reporting behavior. Further analysis indicates that this effect is not limited to the current period, but persists in the short run and gradually weakens over time. In addition, the effect of macroeconomic uncertainty on corporate accounting policy choices is more pronounced among firms facing stronger financing constraints. This study extends the literature on the determinants of corporate accounting policy choices from the perspective of changes in the macroeconomic environment, and highlights the intertemporal response of firms' financial reporting behavior to external uncertainty shocks. The findings provide new empirical evidence for understanding corporate financial reporting decisions under macroeconomic uncertainty and offer useful implications for regulators, investors, and corporate managers.

Keywords: Macroeconomic uncertainty, accounting policy choices, dynamic effects, strategic financial reporting.

1. Introduction

In recent years, the global economic environment has become increasingly complex, and macroeconomic uncertainty has emerged as a prominent external factor shaping corporate decision-making[1-3]. Fluctuations in the business cycle, frequent policy adjustments, geopolitical tensions, and unexpected shocks have all contributed to greater operational risk, tighter financing conditions, and more volatile expectations faced by firms[4, 5]. Under such circumstances, firms are compelled not only to adjust their investment, financing, and operating decisions, but also to respond through their financial reporting practices. As a key channel through which firms communicate information to external stakeholders, accounting policy choices play an essential role in resource allocation, contract enforcement, and expectation management. Against this backdrop, examining how macroeconomic uncertainty affects corporate accounting policy choices is important for deepening our understanding of firms' financial reporting behavior and carries both theoretical and practical significance.

The existing literature has extensively documented the economic consequences of macroeconomic uncertainty, showing that it significantly affects corporate investment, financing, cash holdings, and risk-taking behavior. At the same time, studies in accounting and financial reporting suggest that accounting policy choices are shaped by a range of factors, including managerial incentives, contractual considerations, external monitoring, and information asymmetry[6]. However, relatively limited attention has been paid to the link between these two strands of research. On the one hand, some studies argue that heightened macroeconomic uncertainty intensifies operating pressure and information noise, thereby strengthening managers' incentives to engage in earnings management or adopt more aggressive accounting policies. On the other hand, other studies suggest that greater uncertainty may increase external scrutiny and contractual demand for prudence, leading firms to adopt more conservative accounting policies. Overall, literature has not yet reached a consensus on the direction, mechanisms, or persistence of the effect of macroeconomic uncertainty on corporate accounting policy choices, and evidence from a dynamic perspective remains particularly limited[7].

Motivated by this gap, this paper investigates the impact of macroeconomic uncertainty on corporate accounting policy choices from a dynamic perspective, with particular attention to whether such effects exhibit persistence and temporal variation. Specifically, this study incorporates macroeconomic uncertainty into the analytical framework of firms' accounting policy choices and examines its influence on financial reporting behavior and its economic implications. Building on the baseline analysis, the paper further explores whether the effect extends beyond the current period and conducts additional analysis in light of firm-specific characteristics. This study is expected to make three main contributions. First, it extends the literature on the determinants of corporate accounting policy choices by highlighting the role of changes in the macroeconomic environment. Second, it enriches the research on the microeconomic consequences of macroeconomic uncertainty by explicitly incorporating a dynamic perspective. Third, it provides empirical evidence and theoretical insights for regulators, investors, and corporate managers seeking to understand financial reporting behavior in periods of heightened uncertainty.

2. Literature Review and Hypothesis Development

The existing literature suggests that macroeconomic uncertainty exerts broad and far-reaching effects on corporate behavior. As a key feature of the external business environment, heightened uncertainty generally implies lower predictability of future economic conditions, policy directions, and market demand, thereby increasing the complexity and risk associated with corporate decision-making. Prior studies have mainly examined its economic consequences from the perspectives of investment, financing, cash holdings, risk-taking, and corporate governance, and broadly conclude that macroeconomic uncertainty has a significant impact on firms' resource allocation and operating decisions. As this line of research has evolved, scholars have increasingly recognized that the influence of macroeconomic uncertainty is not confined to firms' real activities but may also extend to information disclosure and financial reporting behavior. Since financial reporting not only reflects operating outcomes but also serves to mitigate information asymmetry, support contractual arrangements, and stabilize market expectations, accounting policy choices may become an important channel through which firms respond to changes in the external environment under heightened uncertainty[8].

At the same time, accounting policy choice has long been a central issue in accounting and corporate finance research[9]. The literature generally suggests that accounting policy choices are not merely technical decisions, but are jointly shaped by managerial incentives, debt contracting, tax considerations, external monitoring, and the broader information environment. When firms face substantial performance pressure or capital market pressure, managers may be more inclined to choose accounting policies that help smooth earnings or improve short-term financial performance. By contrast, when creditor monitoring, audit constraints, and regulatory scrutiny are stronger, firms are more likely to adopt more prudent and conservative accounting treatments. In this sense, accounting policy choice can be understood as a rational response to a combination of institutional constraints and economic incentives. Following this logic, macroeconomic uncertainty, as an external shock that can alter operating pressure, financing conditions, and the intensity of external monitoring, should also have a systematic effect on firms' accounting policy choices. However, compared with the extensive literature on the effects of macroeconomic uncertainty on investment and financing, relatively little attention has been paid to how it affects corporate accounting policy choices, and evidence of its dynamic effects remains particularly limited.

From a theoretical perspective, the effect of macroeconomic uncertainty on corporate accounting policy choices may operate through two competing channels[10]. On the one hand, rising uncertainty may intensify business volatility and information asymmetry, increasing managerial pressure to maintain stable performance and investor confidence, thereby strengthening opportunistic incentives and leading firms to adopt more aggressive accounting policies. On the other hand, heightened uncertainty may also increase the attention paid by investors, creditors, and auditors to financial reporting quality, reinforce contractual discipline and monitoring mechanisms, and thus encourage firms to adopt more conservative accounting policies. In other words, macroeconomic uncertainty does not necessarily lead to a uniform adjustment in accounting behavior but may influence firms' financial reporting decisions through different underlying mechanisms. Based on the above analysis, this paper proposes the following hypothesis: H1: Macroeconomic uncertainty significantly affects corporate accounting policy choices. Furthermore, given that the effect of macroeconomic uncertainty is unlikely to be limited to the current period and may exhibit persistence or lagged responses in corporate decision-making, this paper further proposes: H2: The impact of macroeconomic uncertainty on corporate accounting policy choices is dynamic.

3. Research design

This study focuses on Chinese A-share listed firms and constructs a panel dataset that combines firm-level information with a macro-level uncertainty measure to examine the impact of macroeconomic uncertainty on corporate accounting policy choices. Firms in the financial and insurance industries are excluded because of their distinctive business models, regulatory requirements, and accounting practices. In addition, to ensure data quality, this study further excludes ST and *ST firms, observations with missing key variables, and obvious outliers. All continuous variables are winsorized at the top and bottom 1 percent. Firm-level financial data are mainly obtained from listed firms' annual reports and related databases, while the measure of macroeconomic uncertainty is constructed or selected based on widely used approaches in the existing literature. By matching the macroeconomic uncertainty measure with annual firm-level financial data, this paper builds an unbalanced panel dataset for empirical analysis.

In terms of variable design, this study defines corporate accounting policy choice as the accounting-related behavior reflected in firms' financial reporting decisions and uses earnings management as the core proxy. More specifically, discretionary accruals are employed to capture the extent of accrual-based earnings management, with a higher value indicating a greater likelihood that the firm adopts a more aggressive accounting policy choice. Given that any single proxy may involve measurement error, this study may further use real earnings management or accounting conservatism as alternative measures in additional analyses to enhance the robustness of the findings. The key explanatory variable is macroeconomic uncertainty, which reflects the degree of uncertainty in the macroeconomic environment faced by firms. A higher value of this variable indicates a more complex external economic environment and less stable expectations about the future. To mitigate potential omitted variable bias, this study controls for a range of firm characteristics that may affect accounting policy choices, including firm size, leverage, profitability, growth, operating cash flow, board characteristics, and audit quality. Industry fixed effects and year fixed effects are also included in the regressions.

To test the effect of macroeconomic uncertainty on corporate accounting policy choices, this study first estimates the following baseline regression model:

$$APC_{it} = \alpha_0 + \alpha_1 MU_t + \alpha_2 Controls_{it} + Industry + Year + \varepsilon_{it} \tag{1}$$

Where APC_{it} denotes the accounting policy choice of firm i in year t, MU_t represents macroeconomic uncertainty in year t, and $Controls_{it}$ is the set of control variables. $Industry$ and $Year$ denote industry fixed effects and year fixed effects, respectively. The coefficient $\alpha_1$captures the overall effect of macroeconomic uncertainty on corporate accounting policy choices. To further examine whether this effect is dynamic, lagged terms of macroeconomic uncertainty are added to the baseline specification, and the following dynamic model is estimated:

$$APC_{it} = \beta_0 + \beta_1 MU_t + \beta_2 MU_{t-1} + \beta_3 MU_{t-2} + \beta_4 Controls_{it} + Industry + Year + \varepsilon_{it} \quad (2)$$

If β_2 or β_3 is statistically significant, it suggests that the effect of macroeconomic uncertainty on corporate accounting policy choices is not limited to the current period but instead exhibits persistence and lagged responses. Through these model specifications, this study is able to identify both the contemporaneous and dynamic effects of macroeconomic uncertainty, thereby providing a more accurate understanding of how firms adjust their accounting policy choices in response to external uncertainty shocks.

4. Empirical results and analysis

Table 1 reports the descriptive statistics of the main variables. The mean value of corporate accounting policy choice (APC) is 0.061, with a median of 0.057, suggesting that sample firms exhibit a certain degree of accounting-related adjustment on average, although substantial cross-firm variation exists. The mean value of macroeconomic uncertainty (MU) is 4.287, with a standard deviation of 0.536, indicating meaningful variation in macroeconomic uncertainty over the sample period and providing sufficient room for identifying its economic consequences. As for the control variables, firm size, leverage, profitability, and operating cash flow all display reasonable distributions, suggesting that the sample is of acceptable quality for empirical analysis.

Table 1. Descriptive Statistics.

Variable	Obs.	Mean	Std. Dev.	Min	Median	Max
APC	18,642	0.061	0.084	-0.211	0.057	0.296
MU	18,642	4.287	0.536	3.201	4.301	5.442
Size	18,642	22.417	1.281	19.304	22.295	26.118
Lev	18,642	0.421	0.201	0.051	0.414	0.893
ROA	18,642	0.046	0.071	-0.182	0.041	0.211
Growth	18,642	0.132	0.264	-0.431	0.109	1.428
CFO	18,642	0.058	0.089	-0.205	0.054	0.248

Table 2 presents the baseline regression results on the effect of macroeconomic uncertainty on corporate accounting policy choices. In Model (1), which includes only the macroeconomic uncertainty variable, the estimated coefficient on $MU$is 0.041 and is significant at the 1% level, indicating that higher macroeconomic uncertainty is associated with more aggressive accounting policy choices. After adding firm-level control variables in Model (2), the coefficient declines slightly to 0.036 but remains statistically significant. Model (3) further controls for industry fixed effects and year fixed effects, and the estimated coefficient on $MU$is 0.031. In the full specification reported in Model (4), the coefficient on macroeconomic uncertainty remains positive and significant at 0.028. Overall, the results suggest that macroeconomic uncertainty exerts a significantly positive effect on corporate accounting policy choices, implying that managers are more likely to engage in strategic financial reporting adjustments when facing a more uncertain macroeconomic environment.

Table 2. Baseline Regression Results.

Variables	Model (1)	Model (2)	Model (3)	Model (4)
MU	0.041***	0.036***	0.031***	0.028***
	(3.52)	(3.29)	(2.94)	(2.71)
Size		0.006***	0.005***	0.004**
		(2.88)	(2.71)	(2.38)
Lev		0.024***	0.021***	0.019***
		(4.17)	(3.95)	(3.62)
ROA		-0.057***	-0.049***	-0.043***
		(-3.91)	(-3.48)	(-3.16)
Growth		0.009*	0.008*	0.007*
		(1.87)	(1.79)	(1.72)
CFO		-0.032**	-0.029**	-0.025*
		(-2.26)	(-2.14)	(-1.91)
Industry FE	No	No	Yes	Yes
Year FE	No	No	Yes	Yes
Observations	18,642	18,642	18,642	18,642
Adjusted (R^2)	0.032	0.087	0.116	0.129

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

Figure 1 provides a more intuitive illustration of the estimated coefficients of macroeconomic uncertainty across the different baseline model specifications. As additional controls and fixed effects are gradually included, the magnitude of the coefficient declines moderately, but it remains positive throughout, and most of the confidence intervals stay above zero. This pattern suggests that the effect of macroeconomic uncertainty on corporate accounting policy choices is fairly robust and is not driven by any particular model specification.

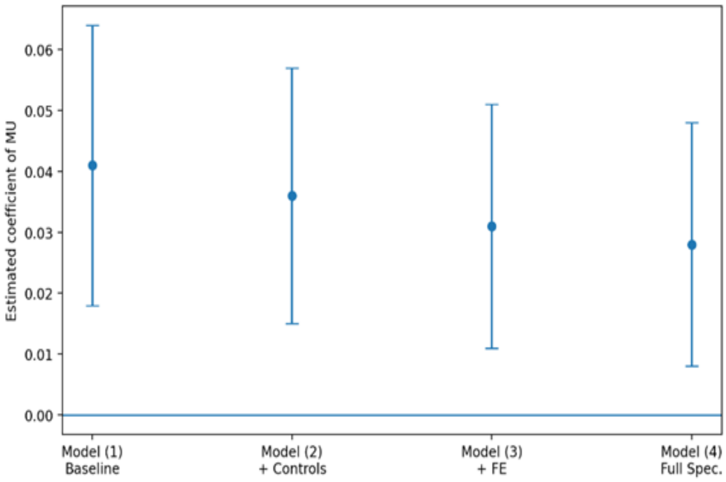

Figure 1. Baseline effect of macroeconomic uncertainty on earnings management.

Table 3 reports the dynamic effect of macroeconomic uncertainty by introducing lagged terms of MU into the baseline model. The coefficient on the contemporaneous term MU_t is 0.028 and significant at the 1% level. The first lag, MU_{t-1}, has a coefficient of 0.019 and remains significant at the 5% level, while the second lag, MU_{t-2}, is positive but statistically insignificant. These findings indicate that the effect of macroeconomic uncertainty on corporate accounting policy choices is not limited to the current period but exhibits a certain degree of persistence that gradually fades over time. In other words, firms' financial reporting responses to macroeconomic uncertainty are concentrated in the contemporaneous period and the following year, whereas the marginal effect weakens over longer horizons.

Table 3. Dynamic Effect of Macroeconomic Uncertainty.

Variables	Dynamic Model
(MU_t)	0.028***
	(2.71)
(MU_{t-1})	0.019**
	(2.21)
(MU_{t-2})	0.007
	(1.13)
Size	0.004**
	(2.35)
Lev	0.018***
	(3.47)
ROA	-0.041***
	(-3.08)
Growth	0.006*
	(1.69)
CFO	-0.024*
	(-1.85)
Industry FE	Yes
Year FE	Yes
Observations	18,642
Adjusted (R^2)	0.134

Figure 2 visualizes the dynamic pattern documented in Table 3. The contemporaneous effect is the strongest, the one-period lag remains positive and statistically meaningful, and the two-period lag becomes much weaker with a confidence interval overlapping zero. This result points to a clear dynamic adjustment process in firms' accounting policy choices. Firms do not merely react immediately to macroeconomic uncertainty shocks; rather, they continue adjusting their reporting behavior in the short run, although such adjustments do not persist indefinitely.

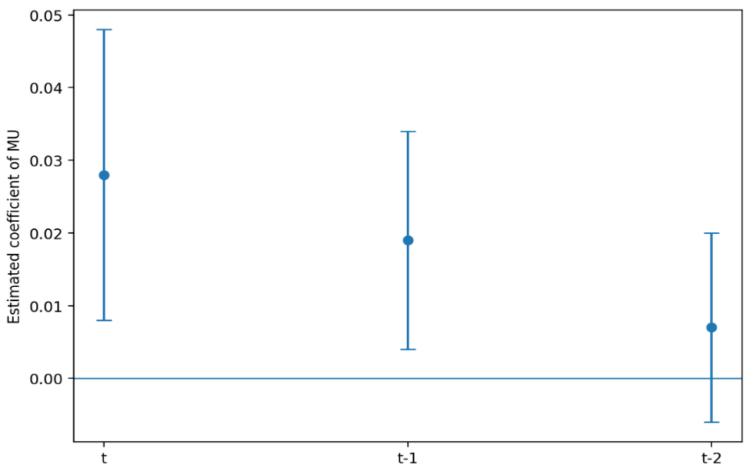

Figure 2. Dynamic effect of macroeconomic uncertainty.

To further explore heterogeneous responses across firms, Table 4 reports subsample regressions based on the degree of financing constraints. The coefficient on macroeconomic uncertainty is 0.039 and highly significant in the high-financing-constraint group, whereas it is only 0.014 and statistically weak in the low-financing-constraint group. This evidence suggests that financing constraints amplify the effect of macroeconomic uncertainty on corporate accounting policy choices. A plausible explanation is that firms facing tighter financing constraints are under greater pressure to secure external funding and maintain performance perceptions in uncertain environments, which strengthens their incentive to adjust accounting choices in response to macroeconomic shocks.

Table 4. Heterogeneity Analysis: Financing Constraints.

Variables	High Financing Constraints	Low Financing Constraints
MU	0.039***	0.014
	(3.08)	(1.29)
Controls	Yes	Yes
Industry FE	Yes	Yes
Year FE	Yes	Yes
Observations	9,214	9,428
Adjusted (R^2)	0.141	0.117

Taken together, the empirical evidence yields two main findings. First, macroeconomic uncertainty significantly affects corporate accounting policy choices, and the overall pattern suggests that heightened uncertainty is associated with stronger strategic financial reporting behavior. Second, this effect is clearly dynamic, being concentrated in the current period and the following period and is more pronounced among firms facing greater financing constraints. These findings indicate that corporate accounting policy choices are shaped not only by internal incentives and institutional constraints, but also by dynamic changes in the macroeconomic environment.

5. Conclusion

Using a sample of Chinese A-share listed firms, this paper examines the impact of macroeconomic uncertainty on corporate accounting policy choices and their dynamic features. The results show that macroeconomic uncertainty significantly affects corporate accounting policy choices and, on average, strengthens firms' strategic financial reporting behavior. Further analysis indicates that this effect is not limited to the current period but persists in the short run and gradually weakens over time. In addition, the effect is more pronounced among firms facing stronger financing constraints.

The findings suggest that corporate accounting policy choices are shaped not only by internal incentives and institutional constraints, but also by dynamic changes in the macroeconomic environment. While the existing literature has mainly focused on the effects of macroeconomic uncertainty on investment, financing, and operating behavior, this study extends the analysis to the domain of accounting policy choice and highlights the intertemporal response of firms' financial reporting behavior. In this sense, the paper provides new evidence on how macro-level uncertainty influences corporate reporting decisions.

Several directions remain open for future research. First, future studies may employ richer proxy variables to capture corporate accounting policy choices more comprehensively. Second, stronger identification strategies may be introduced to better establish causal mechanisms through which macroeconomic uncertainty affects accounting behavior. Third, further analysis may explore heterogeneity across ownership structures, governance arrangements, and institutional environments. These extensions would help deepen our understanding of the relationship between macroeconomic uncertainty and corporate accounting policy choices.

References

[1] CAMPELLO M, KANKANHALLI G. Corporate decision-making under uncertainty: review and future research directions[M]. Edward Elgar Publishing, 2024.

[2] IRIANI N, AGUSTIANTI A, SUCIANTI R, et al. Understanding risk and uncertainty management: A qualitative inquiry into developing business strategies amidst global economic shifts, government policies, and market volatility[J]. Golden Ratio of Finance Management, 2024, 4(2): 62-77.

[3] LINLIN L. Examining Macroeconomic Policies And Their Impact On Corporate Finance: A Comparative Assessment Of Developed And Emerging Economies[J]. International Journal of Economics and Finance Studies, 2024, 16(3): 365-388.

[4] MALYNOVSKA Y, BILONIZHKA V, HRYNCHUK T. Global economic shocks and business risk management[J]. Green, Blue and Digital Economy Journal, 2025, 6(1): 42-50.

[5] IFRAIMU M G, CHIBUZOR O D, NWEKE E D, et al. Geopolitical Risk Management in International Business: Strategies for Mitigating Sanctions and Diplomatic Fallout[J]. Multi research Journal, 2024, 4(6): 31-34.

[6] BADULESCU D, AKHTAR M N, AHMAD M, et al. Accounting policies, institutional factors, and firm performance: Qualitative insights in a developing country[J]. Journal of Risk and Financial Management, 2021, 14(10): 473.

[7] LU H, SHIN J, ZHANG M. Financial reporting and disclosure practices in China[J]. Journal of Accounting and Economics, 2023, 76(1): 101598.

[8] ALHAQEB S A, ALGHARABALI B G, ALABDULGHAFOUR K T. The pandemic and economic policy uncertainty[J]. International Journal of Finance & Economics, 2022, 27(3): 2784-2794.

[9] STOJILJKOVI M. The importance of choosing and applying accounting policies in the corporate management system[J]. FINIZ 2022-Business Resilience in a Changing World, 2022: 32-38.

[10] KUMAR S, GORODNICHENKO Y, COIBION O. The effect of macroeconomic uncertainty on firm decisions[J]. Econometrica, 2023, 91(4): 1297-1332.