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PASSIVE DEFENSE OR ACTIVE REINVENTION? CORPORATE DIGITAL TRANSFORMATION UNDER CLIMATE POLICY UNCERTAINTY

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Abstract

In the context of global climate governance intensification, climate policy uncertainty (CPU) has become a critical external risk affecting corporate strategic decisions. When confronting risks posed by climate policy uncertainty, do enterprises adopt passive defense strategies or proactively build competitive advantages through digital transformation? Using the Climate Policy Uncertainty (CPU) index and financial data from Chinese A-share listed companies between 2011 and 2021, this study employs fixed-effects panel regression models to test the hypothesis that increased CPU promotes corporate digital transformation. The results indicate that increased CPU significantly promotes digital transformation, particularly in firms facing weaker environmental regulations, and those with stronger risk-taking capacities. Mechanism tests indicate that in response to escalating climate policy uncertainty, enterprises boost financial investments to alleviate financing constraints, thereby facilitating digital transformation. At the same time, climate policy uncertainty also exacerbates information asymmetry, forcing companies to undergo digital transformation. Furthermore, the information technology background of corporate executives and government green subsidies enhance the positive effect. This study has important practical significance and policy implications for enterprises to proactively seek changes and adopt digital strategies to cope with climate policy uncertainty.

Key words: Climate policy uncertainty, Digital transformation, Government green subsidies, Information technology background

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