

Abstract

This paper constructs a panel data model based on the China Monetary Policy Uncertainty Index and combines financial data of Chinese listed companies to investigate the impact of monetary policy uncertainty on companies' R&D investment.

The empirical findings show that an increase in monetary policy uncertainty leads to a significant decline in corporate R&D investment. It is further found that monetary policy uncertainty inhibits R&D investment by strengthening the financing constraints of firms; the more abundant the cash flow of firms, the weaker the negative effect of monetary policy uncertainty on R&D investment; and monetary policy uncertainty has a stronger inhibitory effect on innovation in non-state-owned companies than in state-owned companies.

JEL Classification

F12

Keywords

Monetary policy; R&D investment; financing constraints

Title

Does Monetary Policy Uncertainty Impact Corporate Innovation? The Case of China