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Topic:

The Impact of Economic Policy Uncertainty on Sustainability Initiatives of Firms: The Moderating Role of Working Capital Management

BACKGROUND

Economic Policy Uncertainty (EPU) arises from political instability, policy changes, inflation, interest-rate volatility, supply-chain disruptions, and climate-related shocks. These uncertainties significantly affect business decision-making and long-term investments. Sustainability initiatives, while increasingly essential, often require substantial financial commitment and strategic stability.

RESEARCH PROBLEM

Although firms are expected to pursue environmental and social sustainability, economic policy uncertainties may discourage green investments, innovation, and govmpıınca commitments. Existing empirical evidence on the relationship between EPU and sustainability initiatives remain mixed and inconclusive.

AIM OF THE STUDY

To investigate how economic policy uncertainty influences corporate sustainability initiatives, with particular attention to the moderating role of firms' working capital positions.

RESEARCH OBJECTIVES

1. To assess the influence of firm working capital positions on the relationship between economic policy uncertainty and green investments.
2. To assess whether the impact of economic policy uncertainty on firm carbon emissions is significantly influenced by their level of working capital.
3. To examine the influence of listed firms' working capital positions on the impact of economic policy uncertainty on their transparency reporting disclosure.
4. To assess whether the impact of economic policy uncertainty on employees' health and safety in listed firms is significantly influenced by their working capital positions.

METHODOLOGY

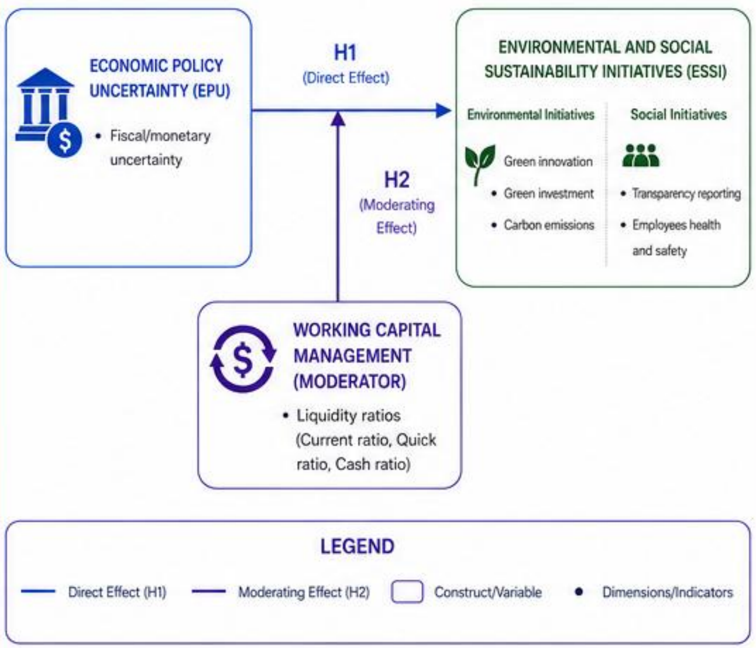
Population: Energy companies due to their significant sustainability exposure.
Sample: S&P 500 firms listed in the Refinitiv database.
Sampling Method: Purposive sampling of firms publishing sustainability reports.
Data Type: Secondary data.
Analysis Technique: Quantitative regression models to test relationships between EPU and sustainability indicators.

Model:

$$SUS_{it} = \beta_0 + \beta_1 EPU_{it} + \beta_2 WCM_{it} + \beta_3 (EPU_{it} \times WCM_{it}) + \sum_k \beta_k Controls_{it} + \varepsilon_{it}$$

CONCEPTUAL FRAMEWORK

The Moderating Role of Working Capital Management



THEORETICAL FRAMEWORK

- **Stakeholder Theory:** Firms must balance the interests of shareholders, employees, communities, governments, and the environment.
- **Institutional Theory:** Regulatory and societal pressures shape corporate sustainability behaviour.
- **Resource-Based Theory:** Firms with stronger resources are better positioned to sustain environmental commitments during uncertainty.

SUSTAINABLE DEVELOPMENT GOALS (SDGS) LINKED TO THIS RESEARCH

12	13	8	16
Green investment and efficient resource use contribute to sustainable business practices.	Carbon emissions management addresses climate change and its impacts.	Employees' health and safety ensure decent work and promote economic growth.	Transparency reporting promotes accountable, transparent and inclusive institutions.

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