Academic Journal of Management and Social Sciences
ISSN: 2958-4396 | Vol. 8, No. 3, 2024

The Impact of Non-financial Enterprises' Financial Investment Behavior on Their Survival Capability

Tong He

Hangzhou Dianzi University, Hangzhou, Zhejiang, China

Abstract: With the development of financial markets, corporate financialization has become an important trend in the development of non-financial enterprises in China in recent years. This article takes non-financial listed companies on the A-share market from 2010 to 2019 as the research object, exploring the impact of corporate financial investment on the survival ability of enterprises. Research has found that corporate financial investment behavior has a positive effect on the survival ability of enterprises. After discussing the samples, it was found that there are significant differences in the impact of different financial asset investments on the survival ability of enterprises. Short-term financial investments are beneficial to the survival ability of enterprises, while long-term financial investments are detrimental to the survival ability of enterprises. According to the nature of the industry, the sample is divided into high-tech enterprises and non-high-tech enterprises. The research results show that the financialization of enterprises hurts the survival ability of high-tech enterprises and a positive effect on the survival ability of non-high-tech enterprises. This study provides micro-level empirical evidence for the impact of financialization on the real economy and has a certain reference value for the government to guide non-financial enterprises to make correct choices in business operations, asset allocation, and other decision-making.

Keywords: Financialization; Financial Development; Enterprise Survival Capability; Real Economy.

1. Introduction

With the development and opening up of financial markets, as well as the demand for diversified investment portfolios from enterprises, the scale of financial investment by Chinese companies continues to expand. Especially in recent years, with the deepening of capital market reforms, the demand for equity and debt investments by Chinese enterprises has increased significantly. The financial investment behavior of enterprises refers to the use of their own funds or loans to invest funds in financial markets or assets in order to obtain returns or achieve capital appreciation. These financial assets can be stocks, bonds, funds, bank deposits, derivatives, etc. The purpose of financial investment by enterprises is usually to diversify risks, obtain additional returns, or achieve financial management goals. According to the original data of non-financial listed companies in China's A-share market from the CSMAR database, the author calculated that Figure 1. depicts the allocation of financial assets of non-financial listed companies in China's A-share market from 2010 to 2019. The total amount of financial assets in the entire society is increasing, and the growth rate has become steeper from flat to steep. The total amount increased from 3603.39 billion yuan in 2010 to 11370.25 billion yuan in 2019. The proportion of social financial assets to total assets is also increasing, approaching 21% by 2019.

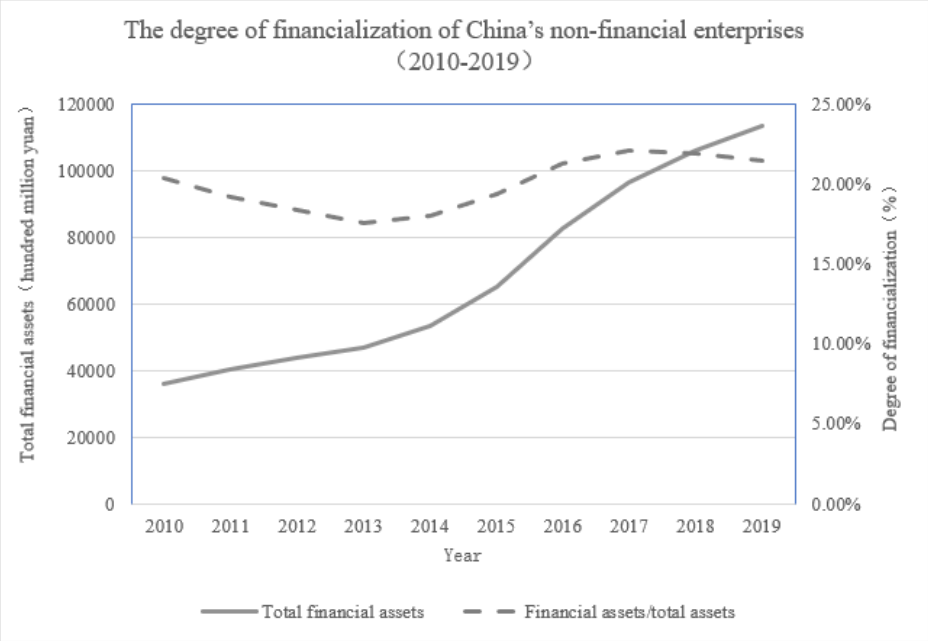

Figure 1. The degree of financialization of China's non-financial enterprises
Data source: CSMAR database

Figure 2 depicts the trend of financial investment returns of non-financial A-share listed companies in China from 2010 to 2019. From the perspective of total financial investment income, the total financial investment income in 2019 was 43.56 billion yuan, compared to 7.55 billion yuan in 2010, and the overall financial investment income has also increased, with a growth of 36.01 billion yuan in 10 years. The lowest values of financial investment returns standardized by operating profit and total profit in 2010 were 0.68% and 0.64%, respectively; In 2019, it reached 2.15% and 2.2%. From this perspective, most enterprises in China engage in the behavior of allocating financial assets and making financial investments.

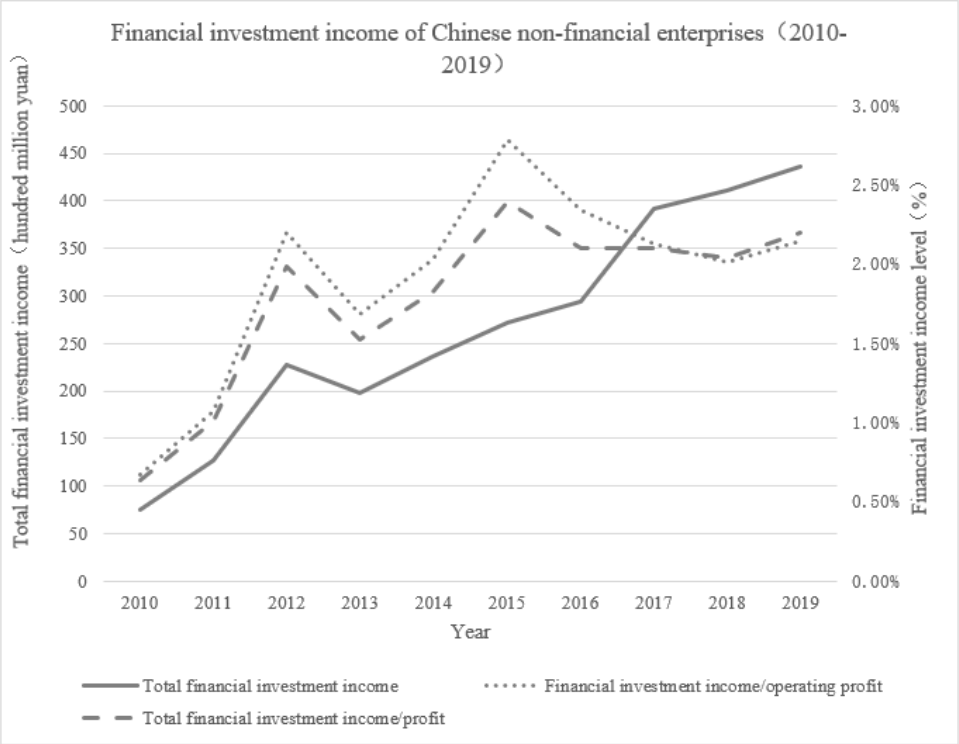

Figure 2. Financial investment income of Chinese non-financial enterprises

Data source: CSMAR database

In China, the financial investment behavior of enterprises includes the following main forms: (1) equity investment, in which enterprises buy shares or equity of other companies to obtain dividend income or expect stock price appreciation; (2) Debt investment: enterprises purchase bonds or other debt instruments to obtain interest income or principal recovery at maturity; (3) Fund Investment: enterprises invest in various funds, such as stock funds, bond funds, monetary funds, etc., to spread risks and obtain investment returns; (4) Bank deposit: enterprises deposit idle funds in the bank to obtain deposit interest income; (5) Derivatives investment: enterprises purchase options, futures, interest rate swaps and other derivatives to hedge or speculate on risks and obtain investment returns; (6) Other financial assets: including various structured products and securitized products in the financial market. The financial investment of enterprises increases the liquidity of the capital market and promotes the development and healthy operation of the financial market. Effective financial investment will help enterprises' profit growth, and then promote economic growth and employment. The financial investment behavior of enterprises may also bring a risk transmission effect, especially when the financial market fluctuates, which may affect the financial status and business activities of enterprises. Therefore, the financial investment behavior of enterprises is not only an important part of the development of the capital market but also an important means of enterprise financial management and risk management, which is of great significance to the economic operation and the stability of the financial system.

2. Literature Review and Problem Posing

At present, China's real economy is facing problems such as slow growth and difficulties in real production and operation. The return on investment in the real economy has declined, and many funds have flowed into virtual economic sectors such as finance and real estate, making China's financialization more and more common. The financialization at the micro-enterprise level is mainly manifested in that the accumulation of enterprise profits increasingly relies on financial channels rather than traditional trade and commodity production, the proportion of financial assets in total assets is increasing, and the proportion of profits from financial channels is increasing (Krippner, 2005). As a microeconomic subject, enterprises are important participants in real economic activities. To explore how enterprise financialization affects the viability of enterprises, we can understand the problem of "economic financialization" from the micro level. Therefore, an in-depth study of the impact of the financial investment behavior of non-financial enterprises on the viability of enterprises is helpful for enterprise managers to make strategic choices, improve the effectiveness of decision-making, and also help entity enterprises to prevent the risk problems caused by financial investment and achieve long-term healthy development. At the same time, this study has important practical significance

for guiding enterprises to practice "financial service entities, preventing financial risks, and curbing economic disenchantment".

From the context of literature development, the discussion on the financial investment behavior of non-financial enterprises began from the perspective of the "financialization" of the real economy. Scholars mainly studied the motivation and influencing factors of enterprise financialization. In the research on the motivation of Chinese non-financial enterprises' financial investment behavior, on the one hand, it is risk aversion. Financial investment can help enterprises manage risks. Enterprises can reduce the risk exposure of specific industries or markets and improve the overall risk management level by investing in diversified financial asset portfolios. The research found that the significant driving factor of the financial investment behavior of China's non-financial enterprises is the risk ratio of fixed assets investment, rather than the gap between the investment returns of financial assets and fixed assets. The latest research (Zhang Sicheng, 2023) points out that physical enterprises' explicit and implicit financial investments (i.e. shadow banking investments) are significantly driven by relative composite risks. (Yang Bing et al., 2022) studied the role and underlying logic of risk expectations in corporate investment allocation choices. When market risk expectations and financial risks increase, companies tend to choose investment strategies that increase financial investment while reducing physical investment; The rising market risk expectations of enterprises have led to the expansion of risk asset scale, thereby promoting financial investment, and the increase in financial risk expectations has increased financial investment returns, thereby promoting financial investment. Financial investment helps companies achieve asset diversification. By investing in different types and levels of financial assets, companies can reduce the risk of a single asset or industry, diversify their asset portfolio, and improve their risk concentration. On the other hand, financial investments by enterprises may also be driven by profit motives, where non-financial enterprises hold financial assets primarily for arbitrage and speculation, in pursuit of maximizing profits. A study (Yang Songling et al., 2019) found that using idle funds for short-term financial investments can increase the liquidity of corporate assets, while also achieving the preservation and appreciation of capital, which can help companies cope with potential shortages of funds in the future. By investing in financial assets such as stocks, bonds, and funds, enterprises can obtain income such as capital appreciation, dividends, and interest, increase their asset return rate, improve their financial structure, and enhance their overall performance level.

Regarding the economic consequences of the financialization of physical enterprises, some scholars believe that financial asset allocation can have a positive driving effect on industrial investment, because short-term investment behavior can produce a "reservoir" effect, allowing enterprises to reduce financial distress costs by selling financial assets and increase industrial investment (Smith&Stulz, 1985). Moreover, the rise in financial asset prices will improve the balance sheet of enterprises, which will be beneficial for them in refinancing and investing in the real economy. (Zhang Jun et al., 2005) The deepening of financial intermediaries will increase the liquidity of investment, which is the "engine" of economic growth. Improving the financial ecological environment can promote the governance effect of corporate debt (Xie Deren et al., 2007). (arizala, cavallo&galindo, 2013) also believes that the development of financialization can alleviate the financing difficulties faced by enterprises, improve total factor productivity, and objectively promote enterprise innovation. In addition, some non-financial enterprises make financial investments out of strategic considerations. For example, by investing in financial institutions or companies in related industries, enterprises can obtain more market information, resources, or cooperation opportunities to enhance their competitiveness.

Another part of the scholars discussed the negative effects of corporate financial investment behavior, (orhangazi, 2008) analyzed the relationship between the industrial investment rate of non-financial enterprises in the United States and financialization, and found that financialization had a significant negative impact on the industrial investment rate. Orhangazi interprets this as the "crowding out effect" of financialization, that is, enterprises' high income from financial channels will drive the management of enterprises to change the priority of industrial investment in operation, which will lead to an increase in the proportion of profits from financial channels, and the industrial investment rate will be reduced accordingly. (Zhang Chengsi et al. 2016) research shows that the financialization of entity enterprises reduces the investment rate of enterprises and inhibits industrial investment, and this inhibitory effect increases with the improvement of the degree of financialization. (Du Yong et al. 2017) financialization has damaged the future main business performance of real enterprises, indicating that the "crowding out" effect of financialization is greater than the "reservoir" effect. (Duan Junshan et al., 2021) the financial investment behavior of enterprises hurts the input and output of technological innovation of enterprises. At present, research on the impact of the financialization of real enterprises focuses more on enterprise performance, enterprise investment, and enterprise R&D, and few scholars have effectively combined these factors for comprehensive analysis. Accordingly, this paper attempts to analyze the impact of entity enterprise financialization on enterprise viability and its mechanism. This article focuses on the following research questions: Firstly, will corporate financialization have a "promoting effect" or an "inhibiting effect" on the survival ability of enterprises? Secondly, do long-term and short-term financial investments have the same impact on the survival ability of enterprises? Thirdly, is the impact of corporate financialization the same in high-tech and non-high-tech enterprises?

Compared with existing research results, the marginal contribution of this article may be reflected in the following aspects: firstly, most existing studies have focused on the impact of the financialization of physical enterprises on innovation, business performance, and financing constraints. This article believes that the survival ability of enterprises is a new measurement method that comprehensively reflects innovation activities and performance results, and is the overall manifestation of the impact of financialization on enterprises. Secondly, focusing on the heterogeneity caused by long-term and short-term financial investments provides new evidence for the debate on the economic consequences of corporate financialization. Thirdly, exploring the impact and mechanism of financialization of enterprises with different industry natures on their survival ability is of great practical significance for preventing systemic financial risks

and promoting healthy and sustainable economic development. Fourthly, in the field of research on the impact of corporate financialization on the survival ability of enterprises, there is currently little literature available. Therefore, this article takes corporate financialization and survival ability as the research objects, selects data from listed physical enterprises in China for analysis and research, and supplements the conclusion through empirical testing.

The main structure of this article is as follows: the first part is the introduction; the second part is the literature review and problem posing; The third part is a theoretical analysis and hypothesis formulation; The fourth part is the research design, including sample selection, variable definition, and model design; The fifth part is empirical testing; The sixth part is the research conclusion and policy recommendations.

3. Theoretical Analysis and Hypothesis Formulation

3.1. Analysis of the Impact of Corporate Financial Investment Behavior on the Survival Capability of Enterprises

The survival capability of a company usually refers to its ability to sustain and develop in an economic environment. The survival of enterprises is generally influenced by various factors. The survival ability of a company is closely related to its financial condition, including indicators such as profitability, cash flow status, debt level, and asset liability ratio. A financially stable enterprise usually has a stronger survival ability and can operate well even in economic downturns or fierce market competition. With the rapid changes in the market and technology, the survival ability of enterprises is closely related to their innovation and adaptability. Enterprises with innovative consciousness and flexibility can better adapt to new market trends and technological developments, and maintain competitiveness. It also includes factors related to enterprise type, scale, human capital, market environment, etc. (GE Xinting et al., 2022). Innovation and adaptability are also important indicators of a company's survival ability. With the rapid changes in the market and technology, the survival ability of a company is closely related to its innovation and adaptability. Enterprises with innovative consciousness and flexibility can better adapt to new market trends and technological developments, and maintain competitiveness. Domestic experts and scholars (Lin Hanchuan&Guan Hongxi, 2004) also pointed out that product market share and the variability of corporate profits are key factors affecting survival ability. The survival ability of a company can comprehensively consider its financial situation, innovation, adaptability, business scale, operational capability, external environment, etc.

Corporate financial investment behavior may have a positive impact on the financial condition of enterprises by alleviating financing constraints, increasing profit margins, improving liquidity, and diversifying risks. It may also lead to excessive participation in financial investment, reducing investment in main business and technological innovation, and hurting the survival ability of enterprises.

On the one hand, financial investment can enhance the survival ability of enterprises. To maintain long-term operations, enterprises cannot do without external financing, but due to factors such as imperfect financial markets and information asymmetry, enterprises inevitably face financing constraints. Corporate financialization can broaden the financing channels of enterprises, alleviate their financing constraints, and improve their operational capabilities. Nonfinancial enterprises can also manage their cash flow through financial investments, investing idle funds in the financial market to obtain higher returns and improve the efficiency of their capital utilization. (Tornell,1990) believes that enterprises may choose to invest in financial assets with strong liquidity rather than fixed assets to cope with uncertainty. Enterprise investment in physical enterprises and financial investment can be regarded as a portfolio, and separating enterprise funds for investment is beneficial for reducing investment risks. When a company faces external negative shocks, abundant endogenous cash flow can effectively reduce the impact of shocks on corporate investment (Duchin,2010). In addition, some scholars analyzed and pointed out that financial assets have the function of "reservoirs". In the investment and financing activities of enterprises, to alleviate the high capital cost caused by financing constraints, many enterprises will allocate short-term, highly liquid, and highly convertible financial assets according to the fixed assets and sales revenue of enterprises (Liu Xiaoxuan et al., 2011). Since the industrial investment of non-financial enterprises is directly related to their financial status (Sean, 1999), if the proportion of profits from financial channels increases, it means that the profitability of enterprises increases, which should enhance the industrial investment motivation of enterprises.

On the other hand, financial asset allocation may also weaken the survival ability of enterprises. Firstly, the increase in financial asset allocation will have a "crowding out" effect on industrial investment. The funds used by enterprises for investment can be used to purchase financial products and industrial investments. Enterprises invest in financial assets, especially long-term financial assets, at the cost of reducing investment in the real economy (Hu Yiming et al. 2017). Secondly, when the yield of financial assets is higher than that of industrial investment, it will drive companies to invest more funds in financial assets, resulting in a corresponding decrease in industrial investment. Specifically, assuming that external financing caused by financing constraints is given, financial asset investment must squeeze out the capital of industrial investment, making enterprises value short-term benefits, which is not conducive to the sustainable development of enterprises. Third, financial investment occupies enterprise funds, crowding out enterprises' resources for technological innovation, and reducing fixed assets investment, which makes enterprises lack sufficient funds for equipment upgrading and product R&D innovation, thus inhibiting enterprises' technological innovation level and reducing their competitiveness (Duan Junshan et al., 2021). Therefore, based on the above inference, this paper proposes: H1a: the financial investment of entity enterprises has a positive effect on the survival capability of the non-financial enterprise.

H1b: the financial investment of entity enterprises hurts the survival capability of the non-financial enterprise.

3.2. Heterogeneity Analysis of the Impact of Corporate Financial Investment Behavior on Corporate Viability

Different driving mechanisms of financialization may stem from different behavioral motivations, and their impact on the survival ability of enterprises may exhibit certain

heterogeneity, with varying degrees of related influence.

From a short-term investment perspective, financial assets serve as a 'reservoir'. Enterprises can reduce the cost of financial distress by selling financial assets, thereby increasing industrial investment (Smith&Stulz,1985). Moreover, the rise in financial asset prices will improve a company's balance sheet, which in turn is beneficial for refinancing and improving the company's financial condition. The utility of reservoirs improves the flexibility of enterprise fund management. Enterprises can adjust their capital investment and operation plans according to their needs, respond more flexibly to market changes and business opportunities, and avoid missing favorable opportunities due to capital shortages. Holding short-term financial assets can provide emergency backup funds for enterprises to cope with unexpected events, market fluctuations, or other unexpected situations. In this way, enterprises do not need to immediately rely on external financing when facing emergencies, reducing their dependence and risk on external funds. For example, when a company faces sudden funding needs or market fluctuations, selling trading financial assets can adjust liquidity and reduce external financing costs. These short-term financial assets will serve the purpose of regulating corporate funds, and the financialization of enterprises will not cause crowding out of physical investments. In addition, short-term financial investments can also enhance investors' and partners' confidence in the company, as they know that the company has sufficient financial reserves to handle various situations. This helps to enhance the reputation and stability of the enterprise and strengthen its survival capability.

From a long-term investment perspective, financial assets will have a "crowding out" effect. When enterprises make financial investments, they may have a certain degree of crowding out or restraining effect on investment in the real economy. Due to the increase in financial investment by non-financial enterprises, funds flow into the financial or capital markets, resulting in a decrease in investment in the real economy. This resource allocation offset limits the funding sources for projects in the real economy sector, affecting its development and expansion plans. Due to the "substitution" effect of financial asset allocation in enterprises to a certain extent, they have a significant impact on financial assets. Especially the investment in long-term financial assets comes at the cost of reducing investment in the real economy (Hu Yiming et al. 2017). Long-term financial investment leads to the long-term occupation of a large amount of funds, reducing the liquidity and capital utilization efficiency of enterprises. If the return on investment projects fall short of expectations or changes in the market environment, it will put pressure on the company's liquidity and worsen its financial condition. Corporate financialization is a long-term financial investment expenditure in the financial market, which allows companies to withdraw funds from real long-term physical investments. Companies invest in long-term financial assets (such as in the real estate industry) to obtain high profits, which is more of a market arbitrage behavior of companies (Wang Hongjian et al., 2017). Some long-term financial investments have market volatility risks, such as available-for-sale financial assets and long-term equity investments. If the market experiences significant fluctuations or investment projects perform poorly, it may hurt the financial condition and profitability of the enterprise. Long-term financial investments require continuous supervision and management by enterprises, including portfolio adjustments, risk assessments, and investment decisions. If a company is poorly managed or lacks professional knowledge, it may increase management risks and investment losses. Nonfinancial enterprises engaging in financial investments (such as long-term debt investments) by increasing debt may lead to intensified competition in the debt market and an increase in bond yields. This will result in higher financing costs for the real economy sector, reduce its enthusiasm for capital expenditures, and thus affect the investment scale and efficiency of the real economy. Therefore, based on the above inference, this paper proposes:

H2a: Short-term financial assets will have a positive impact on the survival capability of non-financial enterprises.

H2b: Long-term financial assets will have a negative impact on the survival capability of non-financial enterprise

From the perspective of industry nature, the high-tech industry is centered around continuous innovation and technological development. The company's funds are mainly used for research and development investments to develop new products or improve existing technologies. High-tech enterprises generally face funding shortages due to their high dependence on technology, as well as uncertainty and information asymmetry in the research and development process. High-tech enterprises that have not received industrial policy support face difficulties in making physical investments, and therefore tend to pursue short-term high returns through financial asset allocation. From the perspective of enterprise management, high-tech enterprises often expand their scale rapidly through capital operations, mergers and acquisitions, and other means in order to achieve rapid development. Financial investment helps high-tech enterprises obtain more financial support, promote technological innovation, and increase research and development investment. The combination investment of capital can also help high-tech enterprises manage risks more effectively, reduce operational risks, enhance their ability to resist risks, ensure their stable development, and help improve their production capacity. However, if companies excessively invest funds in the financial sector, their business strategies and investment intentions may change. The income and cash flow brought by financial assets often lead to a short-term investment perspective for enterprises. When pursuing the excess return rate brought by the asset foam of enterprises, enterprises may ignore the motivation of long-term innovation. In this case, the inhibitory effect of financialization will be amplified, and the innovation investment plans of enterprises may be hindered, leading to a decrease in R&D enthusiasm, exacerbating the imbalance of capital allocation, and ultimately causing financialization to squeeze out R&D funds. Therefore, excessive allocation of financial assets and blind financial investment by enterprises will be detrimental to their long-term research and development innovation and growth. Therefore, based on the above inference, this paper proposes:

H3: financial investment will have a negative impact on the survival capability of high-tech enterprises.

4. Research Design

4.1. Sample Selection and Data Sources

This article takes the listed companies in the Chinese A-share market from 2010 to 2019 as the initial sample for research. As the research object of this article is non-financial enterprises, it first excludes listed companies in the financial

industry and then excludes data with missing information. To make the sample data more representative, the sample of ST companies is also excluded. To mitigate the potential impact of extreme values on research conclusions, this study also performed 1% and 99% truncation on all continuous variables in the model. In the end, a total of 1648 listed companies and 14600 observations were used for research, with data sourced from the CSMAR database.

4.2. Evaluation and Measurement of the Survival Capability of Sample Enterprises

(1) Construction of survival ability evaluation index system

The survival ability of enterprises needs to be measured from multiple aspects. This article starts from four aspects: debt-paying ability, profitability, operational ability, and development ability. Drawing on the methods of (Jie Maohua et al., 2017) 16 indicators that can measure the survival ability of enterprises are selected to construct the survival ability of physical enterprises (Table 1), and the survival ability score of physical enterprises is obtained.

Table 1. Index system for survival capability of physical enterprises

Research Objective	Dimension	Financial Index	Content
Survival Capability of Physical Enterprises	solvency	current ratio(X1)	Current assets/current liabilities
		quick ratio(X2)	(Current Assets - Inventory)/Current Liabilities
		Asset liability ratio(X3)	Total liabilities/total assets
		equity ratio(X4)	Total liabilities/total owner's equity
	profitability	return on assets(X5)	(Total profit+financial expenses)/average total assets
		Roe(X6)	Net profit/balance of shareholders' equity
		Operating net profit margin(X7)	Net profit/operating income
	operating capacity	Accounts receivable turnover rate(X8)	Closing balance of operating income/accounts receivable
		Total Asset turnover(X9)	Closing balance of operating income/total assets
	Development capability	rate of capital accumulation (X10)	(Total owner's equity) End value of the current period/(Total owner's equity) Initial value of the current period
		Fixed asset growth rate(X11)	(End value of net fixed assets for the current period - Initial value of net fixed assets for the current period)/(Initial value of net fixed assets for the current period)
		Total Assets Growth Rate(X12)	(End of period value of total assets - Initial value of total assets for the current period)/(Initial value of total assets for the current period)
		Growth rate of return on equity(X13)	(Return on equity for the current quarter - Return on equity for the same period last year/Return on equity for the same period last year
		Basic earnings per share growth rate(X14)	(Basic earnings per share for the current year - Basic earnings per share for the same period last year)/(Basic earnings per share for the same period last year)
		Operating profit growth rate(X15)	(Operating profit for the current period - Operating profit for the same period last year)/(Operating profit for the same period last year)
		sustainable growth rate(X16)	(Net profit/Total balance of owner's equity at the end of the period) * [1- Pre tax dividend per share/(Net profit at the end of the period/Paid in capital at the end of the period)]/(1- numerator)

(2) Comprehensive evaluation results of the survival ability of sample enterprises

This article uses the entropy method to calculate the weights of indicators and obtains the weights for evaluating the survival ability of enterprises, as shown in Table 2.

The comprehensive index of the survival ability of each company can be calculated by formula (1)

$$P_i=x1_i*2.8069\%+x2_i*2.7028\%+x3_i*5.3526\%+x4_i*0.2510\%+x5_i*0.2333\%+x6_i*0.2448\%+x7_i*0.2443\%+x8_i*20.5619\%+x9_i*2.6290\%+x10_i*0.2305\%+x11_i*55.9753\%+x12_i*3.6602\%+x13_i*0.2314\%+x14_i*0.2418\%+x15_i*0.4717\%+x16_i*0.2297\% \quad (1)$$

Table 2. Comprehensive weight table

Index	Name	Entropy method weight
x1	current ratio	2.8069%
x2	quick ratio	2.7028%
x3	Asset liability ratio	5.3526%
x4	equity ratio	0.2510%
x5	return on assets	0.2333%
x6	Roe	0.2448%
x7	Operating net profit margin	0.2443%
x8	Accounts receivable turnover rate	20.5619%
x9	Total Asset turnover	2.6290%
x10	rate of capital accumulation	0.2305%
x11	Fixed asset growth rate	55.9753%
x12	Total Assets Growth Rate	3.6602%
x13	Growth rate of return on equity	0.2314%
x14	Basic earnings per share growth rate	0.2418%
x15	Operating profit growth rate	0.4717%
x16	sustainable growth rate	0.2297%

4.3. Variable Definition

(1) Explained variable. Define the survival capability of enterprises (Pi).

(2) explanatory variable. There are three indicators for defining the financialization of micro-enterprises in existing research: the profit-to-total profit ratio of non-financial enterprises, the proportion of financial investment in non-financial micro-enterprises, and the financial asset holding ratio of non-financial enterprises. Following the research approach of (Zhang Chengsi, 2019), the proportion of financial investment (fin) was selected as the explanatory variable and measured by dividing a company's financial assets by its total assets. The profit of financial channels in a broad sense includes investment income from joint ventures and associates, therefore the consolidated balance sheet data is used. Corporate financial assets include seven parts, namely monetary funds, trading financial assets, available-for-sale financial assets, investment real estate, long-term equity investments, receivable dividends, and receivable dividends. This article also uses the proportion of financial asset investment from the previous period to measure the explanatory variable (pFin) for lag effect testing. The types of financial asset allocation are divided into short-term financial assets (Finshort) and long-term financial assets (Finlong).

Short-term financial assets= (monetary funds+trading financial assets+ dividends receivable+ dividends receivable)/ average total assets;

Long-term financial assets= (available for sale financial assets+ investment real estate+long-term equity investment)/ average total assets;

(3) Control variables. Drawing on the research of (Xu Jiayun et al., 2016), this article introduces the following six control variables that may affect the survival ability of enterprises: (1) Age of the company (Age), expressed as the number of quarters since its establishment year; (2) The company size (Size) is measured using the natural logarithm of the book value of total assets; (3) Share concentration(Share), measured by the shareholding ratio of the largest shareholder; (4) Cash flow(Cashflow), expressed as the ratio of cash flow to total assets; (5) Nature of Ownership(Nature): The ownership nature of a company is an important attribute of Chinese listed companies. When the ownership nature of the company is state-owned, the value is 1, and when it is non-state-owned, the value is 0; (6) The R&D investment lagged by one period (RDt-1) is expressed as the ratio of R&D expenditure to operating revenue. Variable definitions are shown in Table 3.

Table 3. Variable definition

Variable type	Variable	Variable Symbol	Variable Declaration
Explanatory variable	Survival Capability of Physical Enterprises	P	
explained variable	Proportion of financial asset investment	Fin	(monetary capital+trading financial assets+available for sale financial assets+investment real estate+long-term equity investment+dividends receivable+dividends receivable)/total assets of the enterprise
	Proportion of financial asset investment in the previous period	pFin	Measured by the proportion of financial asset investment in the previous period
	Proportion of short-term financial asset investment	Finshort	(monetary capital+trading financial assets+dividends receivable+dividends receivable)/average total assets
	Proportion of long-term financial asset investment	Finlong	(available for sale financial assets+investment real estate+long-term equity investment)/average total assets
control variable	Company age	Age	Measure the duration of the business (current year to year of establishment)
	Enterprise size	Size	Log(total assets)
	ownership concentration	Share	Measured by the shareholding ratio of the largest shareholder
	cash flow	Cashflow	Cash flow/total assets
	Nature of ownership	Nature	State-owned enterprises: 1; Nonstate enterprise: 0
	R&D investment lagging behind the first phase	RD_{t-1}	R&D expenditure/operating income

(4) Summary Statistics of Key Variables.

Table 4 is descriptive statistics. It can be observed from Table 4 that the minimum score for enterprise survival ability is 0.0504, and the maximum score is 499.6, indicating a significant gap between the survival abilities of enterprises. The average proportion of financial assets in the assets of listed companies is 0.210; Among them, the average proportion of short-term financial assets is 0.148, and the average proportion of long-term financial assets is 0.0282, indicating that the financial investment proportion of listed companies is relatively large.

Table 4. Descriptive statistical results of main variables

variable	N	mean	Std.dev.	min	p50	max
P	14600	8.925	44.52	0.0504	1.464	499.6
Fin	14600	0.248	0.157	0.0249	0.210	0.834
pFin	14600	0.255	0.164	0.0262	0.214	0.826
Finshort	14600	0.184	0.131	0.0122	0.148	0.707
Finlong	14600	0.0640	0.0950	0	0.0282	0.585
Age	14600	17.33	5.653	2	17	43
Size	14600	22.35	1.338	19.13	22.19	26.18
Share	14600	34.33	15.05	8.730	32.13	74.96
Cashflow	14600	0.00250	0.0827	-0.247	0.00160	0.469
RD	14600	0.0318	0.0452	-0.116	0.0263	0.263

4.4. Benchmark Regression Model Design

$$P_{it} = \beta_0 + \beta_1 Fin_{it} + \beta_2 control + year_t + cpi + \varepsilon_{it} \quad (2)$$

$$P_{it} = \beta_0 + \beta_1 pFin_{it} + \beta_2 control + year_t + cpi + \varepsilon_{it} \quad (3)$$

$$P_{it} = \beta_0 + \beta_1 Finshort_{it} + \beta_2 control + year_t + cpi + \varepsilon_{it} \quad (4)$$

$$P_{it} = \beta_0 + \beta_1 Finlong_{it} + \beta_2 control + year_t + cpi + \varepsilon_{it} \quad (5)$$

Among them, subscript i represents each research sample enterprise, subscript t represents the year, control represents all control variables, year represents the fixed effect of time, cp_i represents the fixed effect of industry, and ε_{it} is the residual term.

5. Empirical Testing

5.1. Analysis of Regression Results

From Table 5, it can be seen that the financial investment behavior of non-financial enterprises is significantly positively correlated with the survival ability of enterprises, that is, the financialization of physical enterprises will expand enterprise risks. Hypothesis H1b is correct, and hypothesis H1a is rejected. Specifically, column (1) of Table 3 presents the results of univariate regression on the level of financialization (fin); Column (2) adds various control variables based on column (1); Columns (3) and (4) add industry fixed effects and time fixed effects, respectively, based on column (2); Column (5) adds both industry fixed effects and time fixed effects based on column (2). Column (6) is the regression result of lagged one-period financialization level (pFin) based on column (5). From column (5), it can be seen that under other constant conditions, as the level of financialization (Fin) of physical enterprises increases, their survival ability also improves. Assuming H1a is validated.

Table 5. Impact of enterprise financialization on enterprise viability

Variable	P	P	P	P	P	P
	(1)	(2)	(3)	(4)	(5)	(6)
Fin	5.1898*	11.3111***	10.9377***	10.2598***	10.3177***	8.7920**
	(1.93)	(3.61)	(3.36)	(3.08)	(2.98)	(2.54)
Age		0.1081*	0.1979***	0.0357	0.0670	0.0734
		(1.78)	(3.21)	(0.61)	(1.21)	(1.34)
Size		0.1793	0.3958	0.1819	0.2637	0.2018
		(0.44)	(0.92)	(0.43)	(0.60)	(0.45)
Share		0.1736***	0.1686***	0.1620***	0.1597***	0.1602***
		(5.63)	(5.43)	(5.19)	(5.08)	(5.09)
Cashflow		8.2630	8.5087	8.0313	8.0106	15.2688***
		(1.53)	(1.56)	(1.49)	(1.48)	(2.69)
Nature		5.6230***	5.3240***	6.8276***	6.7219***	6.7554***
		(6.84)	(6.31)	(7.91)	(7.57)	(7.60)
RD		-73.7447***	-69.1961***	-66.6303***	-65.4783***	-65.3237***
		(-6.76)	(-6.08)	(-5.54)	(-5.19)	(-5.12)
Constant	13.0694***	-5.9487	-10.0807	-8.9787	-11.2000	-9.7645
	(15.98)	(-0.70)	(-1.12)	(-1.02)	(-1.23)	(-1.05)
Industry				Control	Control	Control
Year			Control		Control	Control
Observations	18,786	14,636	14,636	14,636	14,636	14,635
adj_R^2	0.000161	0.0199	0.0199	0.0385	0.0382	0.0379

5.2. Heterogeneity Analysis

To explore the heterogeneity of the impact of corporate financial investment on the survival ability of enterprises, a sample regression was conducted based on the previous analysis and research design, and the time of financial investment and whether it is in the high-tech industry were used as the grouping criteria for the high or low survival ability of enterprises.

After estimating the sub-sample model based on financial investment time, it was found that the impact of financial investment behavior varies depending on the length of the enterprise's financial investment time. The results in column (1) of Table 6 indicate that among the financial assets held by enterprises, short-term financial assets (Finshort) are significantly positive at the 1% level, while long-term financial assets (Finlong) are significantly negative at the 5% level, indicating that the impact of different types of financial assets held by enterprises on their survival ability is not the same. Short-term financial assets have a significant positive impact on the survival ability of enterprises, while long-term financial assets have a significant negative impact. The research results support hypotheses H2a and H2b.

This article takes all listed companies in China's A-share market that belong to the high-tech industry as the research object, draws on the *" Catalogue of strategic emerging industries "," classification of strategic emerging industries (2012) (Trial)"* , and relevant documents of the Organization for Economic Cooperation and Development (OECD) (1), and determines the industry code of high-tech listed companies by the *"Guidelines for Industry Classification of listed companies (revised in 2012)"*. After estimating the sub-sample model based on whether it is a high-tech enterprise, it was found that financial investment still has a positive effect on the survival ability of enterprises. However, due to different behavioral motivations, there are also certain differences in the impact of financial investment behavior on the survival ability of enterprises between high-tech and non-high-tech industries. The first table in Table 7 shows that the financial investment of high-tech enterprises is significantly negative at the 5% level, while the financial investment of non-high-tech enterprises is significantly positive at the 1% level, indicating that the more financial investment high-tech

enterprises have, the weaker their survival ability. The research results confirm hypothesis H3.

Table 6. Estimated results by financial asset classification model

Variable	P	
	(1)	(2)
Finshort	20.1409***	
	(3.97)	
Finlong		-8.7488**
		(-2.10)
Age	0.0970*	0.1143**
	(1.80)	(2.09)
Size	0.4487	0.0590
	(1.00)	(0.13)
Share	0.1480***	0.1635***
	(4.71)	(5.22)
Cashflow	3.3436	11.4034**
	(0.60)	(2.13)
Nature	6.8510***	6.5767***
	(7.68)	(7.44)
RD	-69.6747***	-59.9063***
	(-5.32)	(-5.04)
Constant	-16.9232*	-4.2666
	(-1.79)	(-0.47)
Industry/Year	Control	Control
Observations	14,636	14,636
adj_R^2	0.0398	0.0374

Table 7. Estimated results by high tech industry model

Variable	P	
	High-tech industry	Non-high-tech industry
pFin	-5.5415**	32.6630***
	(-2.30)	(4.62)
Age	-0.0061	0.1480
	(-0.13)	(1.28)
Size	0.1602	1.1128
	(0.41)	(1.19)
Share	0.1498***	0.1642***
	(4.79)	(2.58)
Cashflow	4.8363	34.8157**
	(1.01)	(2.47)
Nature	5.3456***	9.1318***
	(6.37)	(4.85)
RD	-42.2052***	-139.4459***
	(-6.47)	(-4.38)
Constant	0.3653	-39.6862*
	(0.05)	(-1.94)
Industry/Year	Control	Control
Observations	8,422	5,582
adj_R^2	0.0222	0.0530

5.3. Robustness Test

(1) Introduction of lagging financialization level

The impact of financial investment behavior will accumulate over time, leading to the influence of previous-period risks on current-period risks. To avoid missing the risks of previous period enterprises and affecting the conclusions in the previous text, a lag of two periods (fin-2) and three periods (fin-3) of financialization level (fin) were introduced based on model (2), and the regression results

showed columns (1) and (2) in Table 8. The results of this column indicate that even considering the lagged effects of financial investment behavior, the financialization of physical enterprises will still significantly increase their survival ability, and the conclusion in the previous section is robust.

(2) Nonlinear relationship

Considering the possible non-linear relationship between the level of financialization and the survival ability of enterprises, which may affect the research conclusions in the previous section, a quadratic term (fin^2) of financialization level is introduced based on model (1) to test whether the relationship between financialization and enterprise risk of physical enterprises is robust. From column (3) of Table 8, it can be seen that the coefficient of the quadratic term (fin^2) of the level of financialization is significantly positive, indicating that there is no nonlinear relationship between the level of gold melting and the survival ability of enterprises. This result still indicates the credibility of the previous conclusion.

Table 8. Robustness test

Variable	P		
	(1)	(2)	(3)
The level of financialization lags behind for two periods	6.8729**		
	(2.10)		
The level of financialization lags behind for three periods		5.6165*	
		(1.74)	
Secondary term of financialization level			20.0322***
			(4.17)
Age	0.0786	0.0948	0.0556
	(1.41)	(1.63)	(1.01)
Size	-0.1036	-0.2459	0.3608
	(-0.22)	(-0.49)	(0.82)
Share	0.1603***	0.1755***	0.1572***
	(4.84)	(4.98)	(5.01)
Cashflow	13.9600**	12.4816*	7.0962
	(2.13)	(1.73)	(1.31)
Nature	6.5296***	6.3089***	6.7460***
	(6.93)	(6.27)	(7.61)
RD	-70.8308***	-77.9744***	-67.3735***
	(-5.32)	(-5.97)	(-5.40)
Constant	-2.3467	1.4445	-12.2673
	(-0.24)	(0.14)	(-1.35)
Industry/Year	Control	Control	Control
Observations	13,004	11,380	14,636
adj_R^2	0.0381	0.0366	0.0392

6. Research Conclusion and Policy Recommendations

Corporate financialization is an inevitable trend in the prosperous development of China's financial market in recent years. It has brought many benefits to enterprises in capital operation, value management, risk control, and other aspects. This article first starts from the theoretical models of existing research, constructs an indicator system for the survival ability of start-up enterprises, studies the relationship between corporate financial investment and corporate survival ability, examines the heterogeneity of the financialization impact of different types of enterprises and the heterogeneity of different financial assets in non-financial listed companies in China, and draws the following conclusions(1) The financial investment behavior of non-financial enterprises has a positive effect on their survival ability. (2) After discussing the samples, it was found that there are significant differences in the impact of different financial asset investments on the survival ability of enterprises. Short-term financial investments are beneficial to the survival ability of enterprises, while long-term financial investments are detrimental to the survival ability of enterprises. (3) According to the nature of the industry, the sample is divided into high-tech industries and non-high-tech enterprises. The research results show that the financial investment behavior of high-tech enterprises will weaken their survival ability, while the financial investment behavior of non-high-tech enterprises is beneficial to their survival ability.

The research conclusion of this article theoretically explains that non-financial enterprises can alleviate the financial constraints faced by enterprises, reduce their financing costs, and improve their capital efficiency through financial investment. The fund reservoir effect of financial investment behavior can counteract the crowding out effect of enterprises on their main business investment resources in

promoting technological innovation investment. Financialization helps companies break free from financing constraints, improve profitability, and overcome difficulties. How to guide non-financial enterprises to make the right choices in business operations, asset allocation, and other decisions is a problem that policymakers must solve. This article believes that efforts should be made in the following aspects: (1) increasing support for high-tech and marketable real industries to help them overcome the development difficulties during the economic transformation period; (2) Guiding enterprises to improve corporate governance, so that managers pay more attention to the long-term interests of the company and stakeholders, rather than short-term stock prices or profit performance; (3) Establish open and transparent financial market rules and systems to ensure controllable financial market risks.

References

[1] Krippner, G.(2005),"The financialization of the American economy", Socio-Economic Review 3(2):173-208.

[2] Smith, C. W. ,and R. M. Stulz,1985, “The Determinants of Firms' Hedging Policies”, Journal of Financial and Quantitative Analysis, 20(4) : 391-405.

[3] Arizala, F., Cavallo, E.A. & Galindo, A.J. Financial Development and TFP Growth: Cross Country and Industry-Level Evidence [J]. Applied Financial Economics, 2013,23(4-6):433-448.

[4] Orhangazi,O.,2008, “Financialisation and Capital Accumulation in the Non-financial Corporate Sector: A Theoretical and Empirical Investigation on the US Economy: 1973-2003”,Cambridge Journal of Economics,32(6) ,863-886.

[5] Tornell,A. Real Vs.Financial Investment Can Tobin Taxes Eliminate the lreversibility Distortion[J].ournal of Development Economics,1990,32(2):419-444.

[6] Duchin, R., 2010,“Cash Holdings and Corporate Diversification”, Journal of Finance,65 (3) ,955-992.

[7] Sean,C.,1999,“The Relationship between Fim Investment and Financial Status”,Journal of Finance ,54(2),673-692.

[8] Zhang Chengsi, 2019 The logic and reflection of financialization [J] Economic research, 54 (11): 4-20.

[9] Zhang Chengsi, Zhang butan, 2016 The mystery of the decline of China's industrial investment rate: from the perspective of economic financialization [J] Economic research, 51 (12): 32-46.

[10] Zhang Chengsi, Zheng Ning, 2018 Research on the impact mechanism of financial investment behavior of Chinese non-financial enterprises [J/OL] World economy, 41 (12): 3-24.

[11] Zhang Chengsi, Zheng Ning, 2023 Hierarchical driving mechanism of financialization in China's industrial sector [J] Financial Research (5): 1-19.

[12] Yang Bing, Yang Yang, Du Jian, 2022 Enterprise risk expectation and investment strategy selection - An Empirical Study Based on annual report text mining [J/OL] Economic management, 44 (2): 122-140.

[13] Yang Songling, Niu Dengyun, Liu Tingli, et al., 2019 Financialization of real enterprises, analyst attention and internal innovation driving forces [J] Management science, 32 (2): 3-18.

[14] Zhang Jun, Jin Yu, 2005 Financial deepening and retesting of productivity relations in China: 1987 - 2001 [J] Economic Research (11): 34-45.

[15] Deren Hsieh, Gao Ju Zhang, 2007 Financial ecological environment, governance effect of debt and debt restructuring: empirical evidence [J] Accounting Research (12): 43-50+96-97.

[16] Du Yong, Zhang Huan, Chen Jianying, 2017 The impact of financialization on the future development of the main business of real enterprises: promoting or restraining [J/OL] China's industrial economy (12): 113-131.

[17] Duan Junshan, Zhuang Xudong, 2021 Financial investment behavior and technological innovation of Enterprises Motivation Analysis and empirical evidence [J/OL] China's industrial economy (1): 155-173.

[18] Ge Xinting, Xie Jianguo, 2022 Does trade intermediaries enhance the viability of local enterprises - A Study Based on China's export microdata [J/OL] International trade issues (11): 123-138.

[19] Lin Hanchuan, Guan Hongxi. Empirical comparative study on the competitiveness of small and medium-sized enterprises in eastern, central and Western China [J]. Economic research, 2004 (12): 45-54.

[20] Liu Xiaoxuan, Zhou Xiaoyan, 2011 A test of the allocation relationship between financial resources and the real economy - also on the reasons for the imbalance of economic structure [J] Financial Research (2): 57-70.

[21] Hu Yiming, Wang Xueting, Zhang Jin, 2017 Motivation for financial asset allocation: "reservoir" or "substitution"--Evidence from Chinese Listed Companies [J] Economic research, 52 (1): 181-194.

[22] Wang Hongjian, Cao Yuqiang, Yang Qing, et al., 2017 Does the financialization of real enterprises promote or inhibit enterprise innovation - An Empirical Study Based on listed manufacturing companies in China [J] Nankai management review, 20 (1): 155-166.