

The Conduction Mechanism and Related Empirical Study on the Impact of Economic Financialization on Industrial Investment Rate

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Abstract: Modern market economy is based on a high degree of monetization and credit. Finance has become the core and hub of modern economy. Financial development contributes greatly to economic growth and plays a vital role in economic development. Firstly, this paper constructs the investment decision-making model of micro-enterprises under the financial environment, and then makes an empirical analysis based on the theoretical model to explore the direct and indirect impact of financialization on the industrial investment rate. The empirical study analyzes the effects of economic financialization on the rationalization of industrial structure, the upgrading of industrial structure and the equalization of industrial structure. The results of the cointegration test show that the economic financialization and industrial structure are rationalized and advanced in the same direction, and the industrial structure is balanced in the opposite direction. The financial aggregate structure can influence the savings rate, the savings investment conversion rate, the marginal productivity of capital, and the entrepreneurial innovation activities through financial functions, thereby affecting capital accumulation and technological innovation and promoting economic growth.

1. Introduction

With China's economy entering the structural transition period, the real economy is generally facing the dilemma of declining operating profits under the background of unfavorable factors such as excess capacity in traditional industries, shrinking export demand, insufficient core competitiveness of products, and rising costs [1]. The correlation between stock price fluctuation and real economy has always been an issue of great concern and controversy in modern economic and financial theory. From the discussion of monetary policy transmission mechanism theory, it is not difficult to see that each transmission mechanism is related to a certain economic theory and premised on a certain financial structure, and each transmission mechanism has its corresponding institutional transmission channels [2]. Therefore, the functions of financial systems with different financial structures have different effects, and the impact on the economy is different. China's financial market adopts a two-way open development strategy, which allows foreign funds to invest in China's financial market, and gradually open up Chinese residents and enterprises' investment in foreign financial markets [3]. Therefore, in this context, pay close attention to the relationship between stock prices and the real economy, and seriously study the impact of stock price fluctuations on the stability of the real economy and the direction of influence is of great significance.

The existing literatures at home and abroad mainly analyze the economic consequences of the allocation of financial assets from the relationship between corporate financial assets and entity management, and there are obvious differences in the conclusions. Production is not completely replaceable [4]. In the case of the existence of bank intermediaries, bank loans and other financial assets can not be completely replaced, coupled with moral hazard and adverse selection caused by information asymmetry in credit assets, so there is a credit transmission mechanism. Although the current rich research on financial integration structure provides theoretical and empirical support for our follow-up research and practical decision-making [5]. However, through reading and statistics, we find that most of these studies focus on the macro level of a country, or on the financial system or financial intermediation of a region. Under the background of economic and financial

transformation, this paper subdivides the optimization of industrial structure into rationalization, advanced and balanced. In terms of theoretical mechanism, micro-enterprise economic financialization mainly produces "substitution" effect on industrial investment through two ways [6]. The research itself is not an aim. According to the research results of this paper, it provides a theoretical basis for our country to avoid and prevent the harm of financialization, and further give full play to the advantages of enterprise financialization.

2. Methodology

The benefits and risks are a pair of twin brothers. While traditional commodity traders use financialization to make profits, they also face enormous risks unique to financialization. Although the market economy is highly developed, the shortage of funds or capital is still the biggest bottleneck for regional and national economic development. When the yield of financial assets is higher than that of industrial investment, enterprises will be encouraged to invest more funds in financial assets, and industrial investment will be reduced accordingly [7]. Specifically, assuming that external financing due to financing constraints is given, financial asset investment must crowd out the capital of industrial investment. Marxist political economy forces the financialization and the sluggish economic production to be forced, but this does not mean that financialization is the dominant factor causing the economic recession [8]. Some facts and studies show that the results of national macro-level research have no obvious effect on the implementation of regional financial balance adjustment, which has aroused our thinking: how does financial structure affect economic growth in a region, especially in a region with relatively developed financial aggregate and economy? How to adjust the financial structure to promote economic growth?

Next, we will analyze the development of the stock market from 2017 to 2018. Among them, the financing structure of the stock market is equal to the ratio of direct financing to total financing, and the circulation of the stock market is equal to the ratio of the market value of the stock circulation to the total market value of the stock. Specific statistical data and graphs are shown in Table 1 and Figure 1.

Table 1 Stock Market Size and Financing Structure Statistics Table

Years	Total market value (100 million yuan)	Market capitalization (100 million yuan)
2017	7883	15889
2018	10994	28745

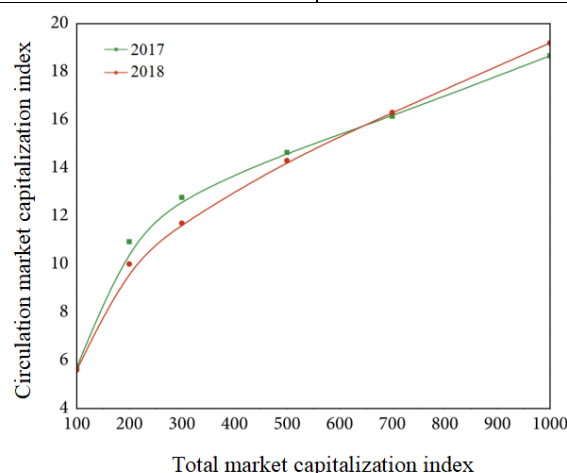


Fig.1. Stock Market Size and Financing Structure Statistics Table

In the market-oriented structure, financial markets and non-bank financial intermediaries closely related to financial markets play an important role; in the bank-oriented structure, deposit money banks and similar institutions occupy a dominant position in the financial system. China's economy urgently needs to reach a general consensus on the concept of transformation and upgrading. This profound change also poses new challenges to the current financial development model, and the

task of comprehensively promoting financial reform has gradually been put on the agenda. This paper makes a theoretical analysis of the factors affecting the financialization of non-financial enterprises by using the relevant theories of financial financialization, clarifies the internal relationship between the relevant factors and the financialization of enterprises, and provides a solid theoretical basis for empirical research [9]. Therefore, the development of finance will directly affect the rationality of regional or one-country economic and industrial restructuring and the adaptability to a changing economic situation. Specifically, the stock option-based compensation management system allows managers to increase their stock dividends in the short term and buy back a large number of stocks to drive the stock price up. The trend of world economic financialization has increased the dependence of China's manufacturing industry on the external market. The trend of world economic financialization has increased the dependence of China's manufacturing industry on the external market and increased the systemic risk of the global economy. At the same time increase the systemic risk of the global economy.

Because the impact of research on financial development on economic growth and the impact of research on financial structure on economic growth are closely related. Therefore, this paper will review the domestic and international research on the influence mechanism of financial structure on economic growth from the aspects of financial development theory and economic growth theory. In a country's financial system, the monetary authority or the central bank is its core, commercial banks are its main body, other non-bank financial institutions are an important part of it, and financial markets are financial products (financial assets) built on a certain financial system. The sum of the trading mechanisms. The holding of financial assets by enterprises may also have a positive effect on the real operation. The reason is that the allocation of financial assets by enterprises using idle funds can bring financing convenience to enterprises, alleviate the pressure of financing constraints faced by enterprises, and promote the real investment of enterprises. That is, when the stock purchased by investors appreciates, although for some reasons it has not yet been sold and the increased returns have not yet been realized in time, it is expected to increase its future income and wealth. It may also enhance its current consumption, which will have an impact on residents' consumption behavior.

3. Result Analysis and Discussion

The financialization of non-financial enterprises is an important part of the financialization of enterprises. At present, the real economy still occupies a large proportion in the economic development of our country, and it is very important to the national economic development. Financial risks usually occur in financial enterprises, and similar risks for industrial and commercial enterprises, usually belong to financial risks or trade risks. However, this is not the case for commodity trading companies. Therefore, according to these financial indicators, the government can understand and forecast the macroeconomic operation, and formulate forward-looking and realistic economic policies. That is to say, high returns from financial channels will drive enterprise management 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 correspondingly low. Economic financialization is defined as the improvement in the size and status of financial markets, financial transactions and financial structures. Among them, the emergence of financial instruments separates savings and investment into two separate functions, thereby promoting the improvement of social savings and investment levels, and when the unit's operational ability and risk-taking spirit are imbalanced and economies of scale exist, the application of financial instruments will promote economic growth.

However, the key to determining a country's financial structure and economic structure is the exogenous factors that affect economic operations, such as economic systems, economic policies, and legal regulations. Therefore, the two can not cooperate and coordinate development at any time. The allocation of financial assets can better solve the problem of insufficient investment in business assets. The capital investment and R&D innovation activities of enterprises have the characteristics of long cycle, large investment, and high uncertainty, which make enterprises face high risks and

information asymmetry. Changes in stock prices will also have a negative crowding out effect on consumer spending. Therefore, China's manufacturing industry has been in the key stage of transformation and upgrading, and the "virtual" manufacturing industry undoubtedly aggravates the contradiction of industrial transformation and upgrading. Many researchers have solved this problem by extending it to both ends of the "smile curve", especially to one end of R&D and design. In recent years, with the continuous expansion of research, the interpretation of the financialization of non-financial enterprises has gradually extended to the relationship between enterprises and financial markets. Therefore, more and more countries attach importance to the development of financial industry, and take it as an important guarantee to promote social and economic stability and an important means to improve the core competitiveness of regions and countries.

To illustrate the problem, Figure 2 below shows the overall financialization of listed companies in the non-financial sector of China's A-shares from 2017 to 2018, as well as the changes in the proportion of fixed-asset investment (investment ratio), of which the definition of financial level It is the ratio of profit from corporate financial channels to total operating profit.

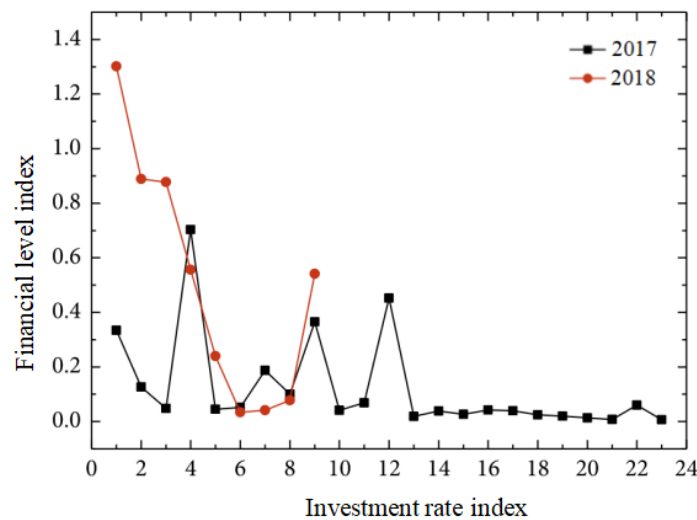


Fig.2. The overall financial level and industrial investment rate of China's non-financial sector

From the reality of listed companies in China, financialization does not seem to raise the level of investment in fixed assets, but instead shows a reverse relationship. This change is first manifested in the increase in investment in the financial sector in the non-financial sector, followed by an increase in the share of financial income in total income. This is because in many cases, indirect financing through financial institutions is more effective than direct financing through the issuance of primary securities. The monetary policy transmission mechanism is also quite different from the single direct control system. It has begun to have both the direct regulation and the indirect regulation of the two-way system. Therefore, when the price of financial assets invested by enterprises rises, the assets and liabilities of enterprises and banks will be improved. Specifically, the market value of enterprises will be increased, the ability to repay loans will be strengthened, and the proportion of non-performing assets of banks will decrease accordingly. Its profit-making utility can attract incremental funds and may induce some funds originally used for consumption to be transferred to the stock market. All of these may reduce residents' consumption expenditure.

4. Conclusions

With the increasing contradictions and conflicts between real economy and virtual economy in China, how to support the transformation of real economy from extensive development mode of quantity expansion to intensive mode of quality-benefit has become an academic issue of general concern. In this context, starting from the perspective of non-financial enterprises' financialization, this paper first defines the financialization of non-financial enterprises from the theoretical analysis,

combs and summarizes the domestic and foreign literature on the measurement index system of financialization and the motivation of enterprises' financialization, and analyses the theoretical basis of non-financial enterprises' financialization. Theoretically speaking, stock price volatility will have an impact on the consumption behavior of households and the investment behavior of enterprises through its wealth effect. This influence will eventually be transmitted to the real economy and affect the development of a country's economy. Due to the backwardness of the financial system, the function of the financial services real economy has not been fully utilized. At the same time, financial development has a tendency to bubble, financial market development is ahead and financial institutions are lagging behind, and the duality of urban and rural financial development has intensified the imbalance of urban and rural economic development.

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