

Research on the Influence of Entrepreneurship on Enterprise Financialization

Li Lin*

Shanghai University, Shanghai 200000, China

Abstract

This paper examines the relationship between entrepreneurship and enterprise financialization based on A-share listed companies from 2010 to 2021. Further divide the sample according to the degree of marketization and the nature of property rights, and explore the different influence of entrepreneurship on the different financial levels of enterprises with different degree of marketization and different nature of property rights. The results show that entrepreneurship can significantly inhibit the financialization level of enterprises. In further analysis, compared with the enterprises, entrepreneurship is more effective than the state-owned enterprises.

Keywords

Entrepreneurship; Enterprise Financialization; Marketization; Property Nature.

1. Introduction

In recent years, the development of the real economy is relatively slow, while the financial industry is gradually gaining momentum, especially with the Internet as the carrier to accelerate the pace of innovation and development of the financial market. Compared with real investment, financial investment can bring more returns to enterprises in the short term. Under the profit-seeking motivation, more and more real enterprises can make financial investment, and China's economy shifting from real to virtual situation is becoming more and more intense. As for the economic consequences of enterprise financialization, Wan Liangyong, Cha Yuanyuan and Rao Jing research found that the higher the degree of enterprise financialization, the research and development investment will be squeezed out to restrain the innovation output of enterprises. Yang Yang, Liu Shuwen, Xu Zhaoyi, Wang Qingsong believes that in the short term, through profit-seeking channels, financialization is negatively related to enterprise performance, but in the long term, through industrial investment channels, financialization will reduce enterprise performance. Many scholars believe that the excessive allocation of financial assets will occupy the funds invested in operational business, make the operational development deviate from the main business, and damage the long-term growth potential of enterprises, which is not conducive to the long-term interests of shareholders, nor conducive to the high-quality development of China's economy. At the national level, the 19th National Congress of the CPC clearly requires "to accelerate the construction of the real economy, to prevent the economy from reality to virtual"; the 14th Five-Year Plan proposed to vigorously develop the modern industrial system, to consolidate the foundation of the real economy. It can be seen that both from the enterprise level and the national level want to control the level of enterprise financialization, and the financialization of enterprises is generally motivated by the following two motives. The first is the "profit seeking" motive. The "profit seeking" motive believes that enterprise financialization is the goal of achieving profit maximization, and the essence of this theory is arbitrage behavior. Under the downward pressure of the real economy, the inflated financial returns will make enterprises choose to increase their investment in financial assets to seek excess returns. The second is the "reservoir" motivation, financialization can form an investment capital pool, improve the financial situation of enterprises, alleviate the

financing constraints, thus forming the reservoir effect of capital. Entrepreneurship is the source of the core competitiveness of enterprises. In September 2017, the CPC Central Committee and The State Council for the first time clarified the important position and special value of entrepreneurship in the Opinions on Creating a Healthy Growth Environment for Entrepreneurs, Promoting Excellent Entrepreneurs and Better Playing the Role of Entrepreneurs. At the entrepreneurs' symposium in July 2020, Xi Jinping spoke highly of the important role and outstanding contribution of entrepreneurs in promoting social and economic development. So will entrepreneurship have a certain impact on the financial level of enterprises, and what is the relationship between the two? What will the relationship between entrepreneurship and financialization level change under different property rights and degree of marketization? This paper empirically examines the relationship between entrepreneurship and the financialization level. It aims to provide new suggestions for reducing the level of enterprise financialization and promoting the "return to real".

2. Theoretical Analysis and Hypothesis Development

2.1. Entrepreneurial Spirit and Financialization Level

Entrepreneurship is an intangible asset with unique significance. Enterprises with entrepreneurship can keenly discover and use opportunities in the fierce competition of the market economy, so as to obtain considerable returns. Entrepreneurship has been highly valued by academia since its inception. Existing research includes the Austrian school (which they think that entrepreneurship focuses on the identification of market opportunities), the neoclassical school (focusing on risk tolerance and adventure), and the German school (focusing on innovation and entrepreneurship). Bu Meiwen and Zhang Junmin believe that entrepreneurship is an important factor in the choice of enterprise value and strategy. Entrepreneurship guides the cognitive structure of managers, so as to promote the improvement of the efficiency and value of the utilization of resources of enterprises. Zhang Li, Geng Sujuan and Zhang Liu Cheng believe that entrepreneurship promotes their growth and economic growth by improving their innovation ability, entrepreneurial ability and entrepreneurs' ability to identify market opportunities. In a word, entrepreneurship has a positive effect on the long-term development of an enterprise.

The influence of entrepreneurship on the level of enterprise financialization is mainly reflected in the following two aspects. First of all, entrepreneurship affects enterprise decision-making and then affects enterprise investment decision-making. Senior echelon theory believes that, on the basis of the environmental complexity of enterprises, the values and existing cognitive structure of senior managers dominated by entrepreneurship determine the strategic choice behavior of enterprises. Entrepreneurs' personal experience and ability can help them to make the right decisions in the daily operation of the business. An important reason for enterprise financialization is that financial investment can obtain more benefits in a short period of time, which is a short-sighted behavior. Entrepreneurship will enable enterprises to make correct strategic decisions and focus on the long-term development of enterprises, thus reducing the financial level of enterprises. Secondly, Wang Fei, Ding Sumin research found that entrepreneurship can reduce the constraints of company financing through many aspects. In addition, the reputation mechanism theory believes that the reputation of entrepreneurs often affects the reputation of enterprises, and the reputation of entrepreneurs or the high reputation of enterprises will make enterprises become the focus of the media. Therefore, both enterprises and entrepreneurs will be concerned by the market, and make it easier for enterprises to become the investment target of investors. The "reservoir motivation" believes that one reason for enterprises to make financial investment is to ease the financing constraints. Therefore, this paper believes that entrepreneurship reduces the level of enterprise financialization by

alleviating the two main motives of financialization. Based on the above analysis, this paper proposes the following research hypotheses:

H1: Entrepreneurship can restrain the financialization level of enterprises.

2.2. Different Degrees of Marketization

China has a vast region, and different regions have different natural environment and economic foundation. Enterprises with different market environments will be different in the way to obtain and use resources, thus prompting them to choose different business strategies. This paper holds that if considering the difference between marketization degree, there is also a difference between entrepreneurship and enterprise financialization. First, the degree of marketization of a region can reflect the degree of government intervention. The higher the degree of marketization is, the less the government intervenes in the operation of enterprises, and the allocation of resources is freer. Entrepreneurs can play their subjective initiative and have good self-regulation, so entrepreneurship will play a greater role in enterprises. Secondly, in the regions with a high degree of marketization, with developed economy, abundant financial resources and high regional financial level, enterprises will have many ways of financial investment. For the enterprises with a low degree of marketization, due to the backward economy, the degree of financialization will be very low, and the general investment and financing mode of the enterprises is also relatively single. In such areas, due to the inherent limitation of the financial level, entrepreneurship has little impact on the level of enterprise financialization. Therefore, this paper proposes the following research hypotheses:

H2: The higher the degree of marketization, the greater the negative impact of entrepreneurship on the financialization level.

2.3. Different Properties of Property Rights

For companies with different property rights, the relationship between entrepreneurship and corporate financialization varies. This paper believes that compared with state-owned enterprises, entrepreneurship has more obvious effect on the degree of enterprise financialization in private enterprises.

On the one hand, it can be seen from the research of Yao Dequan and Fu Xiaofei that, from the perspective of constraints, the leadership decision-making of state-owned enterprises is more constrained, and entrepreneurship will play a very small role in the decision-making process of enterprises. Non-state-owned enterprises have greater power in independent decision-making, and entrepreneurs are more able to influence their decision-making. Therefore, compared with private enterprises, state-owned enterprises will have a relatively small impact on the level of enterprise financialization. On the other hand, Yan Yishi believes that SOEs have obvious advantages in financing. First, when state-owned enterprises face financing difficulties, to some extent, the government can provide funds for them, and thus solve the shortage of funds. Secondly, in state-owned enterprises, the government can act as a "implicit guarantee" and play a certain protective role. In the financing process, the state can play the role of "guarantor" and bear certain risks for banks and other lenders, so as to improve the financing capacity of state-owned enterprises. Therefore, the overall degree of financialization of state-owned enterprises is smaller, that is to say, in state-owned enterprises, entrepreneurship will have less impact on financialization. Therefore, this paper proposes the following research hypotheses:

H3: Compared with state-owned enterprises, among non-state-owned enterprises, entrepreneurship has a more obvious inhibitory effect on enterprise financialization.

3. Research Design

3.1. Sample Selection and Data Source

This paper selects the Chinese Shanghai and Shenzhen A-share listed companies from 2010 to 2021 as the research sample, and handles the research sample as follows: (1) excluding the ST companies; (2) eliminating the company samples of the financial industry and insurance industry; and (3) eliminating the listed companies with incomplete important variables and unknown information in order to ensure the stability and integrity of the data. In addition, continuous variables were curtailed (Winsorize) at the level of 1% level to eliminate the effect of extreme values on the results. The data of marketization degree comes from the Market Analysis Report of China by Provinces (2018), and the original data of entrepreneurship, financialization level and other relevant information of enterprises are all obtained from the CSMAR database.

3.2. Empirical Model and Variable Definition

Entrepreneurship (Eps): The construction of entrepreneurship index mainly refers to the research of Zhou Xianping, PI Yongjuan and Liu Renfeng. The main elements include innovation spirit, adventure spirit, social responsibility and human capital. The specific calculation method of each index is shown in Table 1. Finally, the entropy weight method is used to give the corresponding weight to each index. Finally, we take the log of the result.

Table 1. The constituent elements of entrepreneurship

constituent elements	Agent index	computational formula
initiative spirit	technical innovation	R & D investment / operating revenue
	Strategic innovation	ending current assets / ending current liabilities
	Organizational innovation	Main business income of the current period / average total assets of the current period
	Business innovation	Net profit / average total assets for the current period
spirit of adventure	risk propensity	Total risk assets / gross assets
social responsibility	Responsibility for employees	Cash / main business income paid to and for employees
	Responsibility for government	Taxes and additional / gross income
human capital	age	That year-birth year
	educational background	High school, technical secondary school and below take 1, junior college 2, undergraduate 3, master's 4, doctor 5, other 6

Enterprise financialization level (Fin): this paper reference Gu LeiLei, Guo Jianluan, Wang Hongyu research, will "transactional financial assets", "derivative financial assets", "other receivables", "buy resale financial assets", "one year", "other current assets", "loans and advances", "available financial assets", "hold to maturity investment", "long-term equity investment", "investment real estate", "other non-current assets" defined as financial assets. The ratio of financial assets to total assets is used to measure the financialization level of enterprises.

This paper refers to the research of Zhao Yanfeng, Wang Guizhen and Hu Zhengwei by to control the relevant variables that may affect the financialization of enterprises. Considering that the

different degree of marketization and property rights should be divided into the further analysis, the degree of marketization (Market) and the nature of enterprise property rights (Soe) are controlled. There are also related variables in other literature that may affect the level of corporate financialization, controlling whether the four major audits (Big4), the two jobs are integrated (Dual), and the board size (Board). Finally, control of some financial indicators that will affect the enterprise, return on total assets (Roa), cash flow from operating activities (Cf), asset-liability ratio (Lev), Tobin Q value (TobinQ), and company value (Mb) are controlled. In addition, it also controls the fixed effect of the industry and the year. All variables descriptions are shown in Table 2.

Table 2. Variable-definition

Type of variable	Variable	Definition
Explained variable	Fin	Financial assets / Total assets
Explaining variable	Eps	According to the results of the power of entropy power method, the spirit of innovation, adventure, entrepreneurial social responsibility and human capital
Controlled variable	Market	According to the Market Analysis Report of China by Provinces (2018), the top 5 provinces in the marketization index of that year were regarded as the regions with a high degree of marketization, with a value of 1 and other provinces of 0
	Soe	The nature of enterprise property rights, state-owned 1, non-state-owned 0
	Big4	If the value is taken by the four major international audits of 1, otherwise it is 0
	Dual	The two positions are one, 1 when the chairman and CEO are the same person, otherwise 0
	Board	Board size =ln (number of Board + 1)
	Roa	Net profit / Total assets
	Cf	Cash flow from operating activities / Total assets
	Lev	Total liabilities / total assets
	TobinQ	Market value / Total assets
	Mb	Enterprise book market value ratio

To test the influence of entrepreneurship on the financialization level, the following model is constructed:

$$Fini,t = \alpha_0 + \alpha_1 Epsi,t + \alpha_2 Marketi,t + \alpha_3 Soei,t + \alpha_4 Big4i,t + \alpha_5 Duali,t + \alpha_6 Boardi,t + \alpha_7 Roai,t + \alpha_8 Cfi,t + \alpha_9 Levi,t + \alpha_{10} TobinQi,t + \alpha_{11} Mbi,t + \sum Controls + \sum Year + \sum Ind + \epsilon_{i,t} \tag{1}$$

In the model (1), i represents the company and t represents the year, the model is used to test assumptions about H1 and assume that H1 holds if α_1 is negative.

4. Results

4.1. Descriptive Statistics

Table 3 is the descriptive statistical results, from which an overall understanding of the relevant data is obtained for a better analysis of the relationship between the variables. As can be seen from the table, the average of enterprise financialization is 0.09, the median of 0.06, the maximum value of 0.48, thus know many sample companies are in the financial investment, but

there is still a certain gap between different companies, that is to say, the financial level of different companies, so the analysis may cause the difference of financialization is very important. The average value of entrepreneurship is 3.67, the maximum value is 12.39, and the minimum value is 1.91. The differences between different samples are large, and the overall average value is low, which shows that most enterprises do not pay special attention to the role of entrepreneurship in corporate governance.

Table 3. Descriptive statistics

Variable	Sample	Mean	Standard deviation	Median	Max	Min
Fin	2441	0.0900	0.100	0.0600	0.480	0
Eps	2441	3.670	1.790	3.090	12.39	1.910
Market	2441	0.550	0.500	1	1	0
Big4	2441	0.0200	0.130	0	1	0
Soe	2441	0.0800	0.260	0	1	0
Dual	2441	0.390	0.490	0	1	0
Board	2441	8.280	1.410	9	12	5
Roa	2441	0.0500	0.0400	0.0500	0.180	-0.0600
Cf	2441	0.0400	0.0600	0.0400	0.210	-0.130
Lev	2441	0.300	0.170	0.280	0.720	0.0300
TobinQ	2441	2.260	1.360	1.810	8.590	1.020
Mb	2441	0.550	0.220	0.550	0.980	0.120

4.2. Regression Analysis

The regression results in the table below show that the regression coefficient of entrepreneurship is 0.00369, and it is significant at the level of 0.01. Thus it can be seen that the negative correlation between entrepreneurship and the level of enterprise financialization is, that is to say, entrepreneurship can restrain the level of enterprise financialization, which shows the assumption that H1 is established. Entrepreneurship mainly suppresses the level of enterprise financialization by inhibiting the two main motives of enterprise financialization. The first is the motivation of "profit-seeking". Enterprises with entrepreneurship will pay more attention to their long-term development, and will increase their fixed asset investment or R & D investment. Entrepreneurs will pay more attention to how to increase the core competitiveness of enterprises, and pay more attention to the sustainable development ability of enterprises. Dong Xiaohong, Zhou Yaru and Zeng Qi believe that the investment of physical enterprises in the financial sector will occupy the funds needed for the development of their main business to a certain extent, thus weakening the sustainable development ability of enterprises. Thus it can be seen that entrepreneurs who pay attention to the long-term development of enterprises will choose more to reduce the financialization level of enterprises to ensure the sustainable development of enterprises. The second is the "reservoir" motivation. Enterprises with entrepreneurship will generally fulfill more social responsibilities, so as to have a good reputation. Just as the research of Ruan Gangming, Wei ark and Guanfeng, a good corporate reputation can enhance their ability to resist risks and increase social capital, so as to increase external financing for enterprises and ease financing constraints. Therefore, entrepreneurial enterprises do not have to worry too much about financing problems, so as to reduce the prevention of insufficient funds and financial investment behavior. The regression results also verify the conclusion of this paper, which shows that entrepreneurship is indeed an aspect that needs special attention in the process of enterprise development, and will also become an important strategy for enterprises. Especially in today's vigorously promoting the "return to real", entrepreneurship has become an important breakthrough.

Table 4. Regression result

Variable	Fin
Eps	-0.00369***
	(0.00139)
Big4	0.00912
	(0.0146)
Market	0.00171
	(0.00392)
Soe	0.0140*
	(0.00767)
Dual	0.00234
	(0.00408)
Board	0.00180
	(0.00143)
Roa	0.0335
	(0.0581)
Cf	0.133***
	(0.0353)
Lev	-0.0340**
	(0.0160)
TobinQ	0.00528*
	(0.00271)
Mb	-0.0601***
	(0.0170)
Year	control
Ind	control
Observations	2,441

*** p<0.01, ** p<0.05, * p<0.1

4.3. Further Analysis

4.3.1. Different Degrees of Marketization

The following table is the result of the return of entrepreneurship and financialization level under different degrees of marketization. As can be seen from the table, when the degree of marketization is 1, the coefficient of entrepreneurship is -0.00423, and it is significant at the level of 0.05. When the degree of marketization is 0, the coefficient of entrepreneurship is -0.00269, but not significant. This also shows that, if the company is in a highly marketable region, there is a significant negative correlation between entrepreneurship and the level of financialization of the company. However, if the company is in a region with a low degree of marketization, there is no obvious correlation between entrepreneurship and the level of enterprise financialization. That is to say, in the regions with a low degree of marketization, entrepreneurship does not play a great role within the company. Therefore, when using entrepreneurship for corporate governance, more attention should be paid to enterprises in regions with high degree of marketization.

Table 5. Regression result of different degree of marketization

variable	Fin	
	Market=1	Market=0
Eps	-0.00423** (0.00200)	-0.00269 (0.00193)
Big4	0.0189 (0.0190)	-0.00811 (0.0231)
Soe	0.0277** (0.0126)	0.00519 (0.00961)
Dual	0.00275 (0.00557)	0.00166 (0.00601)
Board	0.00458** (0.00213)	-0.000620 (0.00197)
Roa	0.0411 (0.0845)	0.0176 (0.0801)
Cf	0.159*** (0.0502)	0.0929* (0.0501)
Lev	-0.0523** (0.0228)	-0.00979 (0.0226)
TobinQ	0.00709* (0.00365)	0.00247 (0.00411)
Mb	-0.0578** (0.0237)	-0.0679*** (0.0246)
Year	control	control
Ind	control	control
Observations	1338	1103

*** p<0.01, ** p<0.05, * p<0.1

4.3.2. Different Properties of Property Rights

Table 6. Regression results of different property right properties

Variable	Fin	
	Soe=1	Soe=0
Eps	-0.00717 (0.00536)	-0.00383*** (0.00144)
Big4	0.0263 (0.0321)	0.00417 (0.0162)
Market	0.0434*** (0.0139)	-9.96e-05 (0.00408)
Dual	-0.0576* (0.0305)	0.00236 (0.00411)
Board	0.0115** (0.00449)	0.000853 (0.00151)
Roa	0.110 (0.217)	0.0283 (0.0603)
Cf	0.134 (0.132)	0.130*** (0.0365)
Lev	-0.0208 (0.0505)	-0.0425** (0.0169)
TobinQ	0.0195* (0.00989)	0.00341 (0.00282)
Mb	0.123** (0.0527)	-0.0823*** (0.0179)
Year	control	control
Ind	control	control
Observations	184	2257

*** p<0.01, ** p<0.05, * p<0.1

The following table is the return result of entrepreneurship and enterprise financialization level under different property rights. As can be seen from the table, when the property is 1, the regression coefficient is negative but not significant, and when the property is 0, the coefficient of entrepreneurship is -0.00383, and significant at the level of 0.01. That is to say, in state-owned enterprises, entrepreneurship cannot play a big role, and in private enterprises, entrepreneurship can play a better role in inhibiting the financialization level. This also verifies the proposed hypothesis H3. Compared with state-owned enterprises, non-state-owned enterprises are not too much restricted by the government, and entrepreneurs' decisions have more impact on enterprise development. However, in state-owned enterprises, they are restricted by the government, but the financing constraints are also small. Generally speaking, the level of financialization will not be too high, and entrepreneurship will not play a big role. Therefore, compared with state-owned enterprises, it is more meaningful to use entrepreneurship in non-state-owned enterprises.

5. Conclusion

Based on the background of the increasingly common financialization of real enterprises and the more important role of entrepreneurship in enterprises, this paper selects Chinese Shanghai and Shenzhen A-share listed companies from 2010-2021 as a research sample to explore the relationship between entrepreneurship and the level of enterprise financialization. Starting from the two motivations of enterprise financialization, namely "profit-seeking" motivation and "reservoir" motivation, entrepreneurship can restrain the degree of enterprise financialization by suppressing these two motives. To further analyze the relationship between entrepreneurship and financialization level in different degrees of marketization and different properties of property rights. First of all, in the regions with different degrees of marketization, due to the different degree of marketization, the constraints of the enterprises themselves, and the differences in the regional development level, and the high degree of marketization, the entrepreneurship spirit will have a significant inhibitory effect on the financialization level of the enterprises. In areas with low degree of marketization, there is no obvious correlation between entrepreneurship and marketization. Secondly, among enterprises with different property rights, state-owned enterprises are subject to government constraints and small financing constraints, so there is no great relationship between entrepreneurship and finalization level. There is a obvious negative correlation between the two in non-state-owned enterprises.

Based on the research conclusions, the following implications can be drawn. First of all, entrepreneurship plays an important role in enterprises. This paper also verifies its important role in inhibiting enterprise financialization. Therefore, the government can vigorously advocate enterprises to attach importance to entrepreneurship to restrain enterprise financialization, and achieve the purpose of "returning to real enterprises". Secondly, in areas with high degree of marketization, it is more suitable to manage the financialization level of enterprises through entrepreneurship. Areas with low degree of marketization cannot govern through this method, so we need to continue to explore new governance solutions. Finally, entrepreneurship plays a greater role in non-state-owned enterprises, and the financialization degree of state-owned enterprises themselves is not too high, so it is more suitable to advocate the governance role of entrepreneurship in non-state-owned enterprises.

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