

# The Influence of High-tech Enterprise Financialization on Enterprise Value

Ang Gao<sup>1,2</sup>

<sup>1</sup>Philippine Christian University Center for International Education, Manila City 1006, Philippine

<sup>2</sup>Hunan Applied Technology University, Changde City 415000, Hunan, China

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**Abstract:** In recent years, the economic growth has slowed down structurally, the real business environment has been deteriorating due to rising costs, insufficient demand, low innovation capacity and other factors, the industrial investment rate has continued to decline, the industrial operating profit situation is not optimistic, and many real enterprises are struggling and on the verge of bankruptcy. On the contrary, the financial market has ushered in a vigorous development. At the same time, because the financial market serves the real economy, it also makes it more convenient for real enterprises to pay and settle, transfer resources regionally, and diversify investment, which greatly alleviates the problem of information asymmetry faced by real enterprises in the market. The influence of the degree of financialization on the corporate culture is positive. The higher the degree of financialization, the deeper the impact on the value of the enterprise, and vice versa. However, the degree of development has a certain limit, and once it exceeds this reasonable limit, it will develop in the opposite direction. Therefore, on this basis, it is increasingly important to study the impact of entity enterprise financialization on enterprise value. This paper studies the impact of high-tech enterprise financialization on enterprise value, that is, the impact of enterprise financialization on enterprise value.

**Keywords:** High-tech, Enterprise financialization, Enterprise value.

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## 1. Introduction

In recent years, the financial market has become more and more perfect and active. It has not only formed an internal flow of self hematopoietic mode within the market, but also continuously expanded its boundary and penetrated into other markets. The most characteristic entity enterprise financialization has become a hot topic in the research of various academic circles [1]. Driven by the Internet, the financial field has developed rapidly, and the returns of the financial industry have become more and more rich. This also makes more and more real enterprises start to pay attention to the financial market, and transfer their strategic focus to the financial market one after another, so that real enterprises gradually change to the direction of financialization. In this process, the financialization of real enterprises also has a great impact on enterprise value [2]. Neoliberalism, globalization and financialization are the backbone forces that have dominated the profound changes of capitalism in the world in the past three decades. Although financialization plays the latest role, its influence is increasingly strong [3]. Specifically, there is no more accurate and unified standard and result for what kind of impact benefits the finance of the entity enterprise brings to the enterprise, the specific distribution of the impact factors, and the limit of the degree of financialization [4]. Enterprises allocate certain financial assets for long-term strategic investment motivation to optimize the asset structure and form a combination of industry and finance. They can not only use the high liquidity risk transfer characteristics of financial assets to disperse the business risks of enterprises, but also feed back business and investment activities through hedging of financial assets and excess returns. At the same time, for entity enterprises with strong financing constraints. By participating in the financial and real estate industries and establishing a good strategic cooperation mechanism with them, banks and other financial

institutions can be encouraged to relax the credit constraints on real enterprises, broaden financing channels, reduce the external financing costs of enterprises, and the business development of enterprises will not be hindered by the shortage of funds, thus promoting the continuous improvement of enterprise value [5].

## 2. Enterprise Financialization and Enterprise Value

### 2.1. Enterprise Financialization

Since the 21st century, the concept of "financialization" has been paid attention to and known by more and more people. With the development of social economy and the economic impact of other countries, the impact of financialization of real enterprises on economic growth has also been deepening [6]. Enterprise financialization originates from the concept of financialization, which is an extension of the concept of financialization and also the micro basis of financialization. Financialization first appeared in developed countries. After the 1980s, the trend of financialization in developed countries became more and more obvious [7]. In the 21st century, with the development of economic globalization and financial market and the nature of enterprises pursuing profits, the trend of financialization is slowly emerging in China. The term "financialization" was originally an overview by western political economists of the phenomenon of explosive expansion of financial capital due to the continuous shift of the focus of capitalist economic activities from the real sector to the financial sector for more than 30 years since the 1970s [8]. The financial market serves the real economy and plays an important supporting role in the sustainable development of China's economy.

The vigorous development of the financial market provides a convenient channel for the cross regional transfer of resources, payment and settlement and decentralized

investment of the real economy, which also enables the real economy, driven by the financial market, to effectively resolve the financing speed, improve the control ability of real enterprises on operational risks, and ensure the real-time market information of real enterprises [9]. As the micro level expression of financialization, entity enterprise financialization is an extension of the concept of economic financialization. With the deepening trend of economic financialization, the return on investment in the real economy has continued to decline, and then more and more real enterprises have given up real economic investment and turned to financial investment, resulting in the financialization of real enterprises [10].

In recent years, real enterprises have gradually changed from being based on their industrialization to being based on financialization. The financialization of real enterprises has made great changes in the value of real enterprises, making enterprises give full play to their value. The concept and thought of financialization began to emerge actively at the end of the last century. In the early stage of the study of financialization, it mainly focused on the macro level, investigating the relationship between financialization and employment, financial risk and economic development. Therefore, its definition is also relatively macro. The definition of financialization at the macro-economic level mainly explains the leading role of financial capital in the process of economic operation and the relationship between financial departments and other economic entities.

## 2.2. Enterprise Value

As the main body of economic behavior, the pursuit of profit is essentially to create value and realize value. Only when the value is created and realized can the enterprise occupy a place in the fierce market competition and achieve sustainable development. Value creation and value realization become the core objectives of enterprise development. Enterprise value has been a hot issue in theory and practice since it was put forward. If you want to enhance enterprise value, you must first clarify what enterprise value is. Generally speaking, enterprise value can be divided into narrow sense and broad sense. Enterprise value in a narrow sense is the performance ability of an enterprise in terms of profit and growth after internal resource integration. It is the discounted value of the net cash flow of an enterprise in each year of its expected life after comprehensive consideration of time cost, development ability and operational risk. In a narrow sense, enterprise value is essentially shareholder value. Compared with the past operating conditions, the future profit potential of an enterprise may occupy a more important position in enterprise value. The so-called value, from the perspective of enterprises, refers to profit, utility, efficiency, wealth, income, etc. So far, economic development has gone through four major times: agricultural economy, manufacturing economy, service economy and experience economy. The broad sense of enterprise value is related to the concept of stakeholders. Stakeholders refer to individuals or organizations that will affect or be affected in the process of achieving the objectives of the enterprise, including employees, customers, communities and the government in addition to the well-known shareholders, management, creditors and suppliers. In different times, the wealth creation mechanism has changed significantly, and the subject of value source has changed accordingly. In the era of agricultural economy, labor creates value; In the era of manufacturing

economy, capital generates value; In the service economy era and the experience economy era, value is given by customers. The subject of value source in different times is presented. The latter does not deny the former, but just acts as the protagonist of value creation.

## 3. Enterprise Financialization for Enterprise Value

### 3.1. The Influence of Enterprise Financialization on Enterprise Value

The fundamental motivation for real enterprises to invest in financial assets is to extract profits from the market. By allocating certain financial assets, real enterprises can not only make some of the poor returns of real assets in real enterprises invest in financial assets, so as to obtain higher returns and improve the value of enterprises. At the same time, appropriate investment in financial assets can also make enterprises more diversified in asset investment, Then it plays a role in dispersing risks, which also improves the value of enterprises to a certain extent. The continuous development of real enterprises' financialization has brought about great changes in the market structure. The traditional market structure has been unable to adapt to the continuous development and reform of financialization, forcing it to constantly adjust to the new modern market structure. The impact of entity enterprise financialization on enterprise value is complex and multifaceted. It can be seen from Figure 1 and Figure 2 that financialization has a great role in promoting the value of real enterprises, which not only saves the cost of capital actions, but also injects vitality into the real economy and enhances benefits.

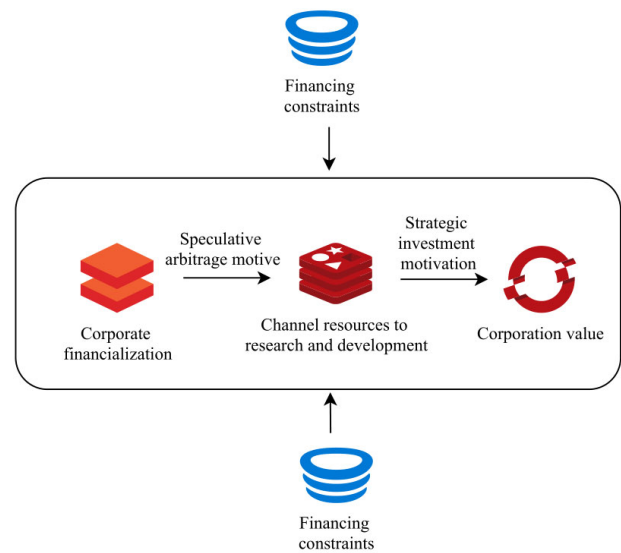
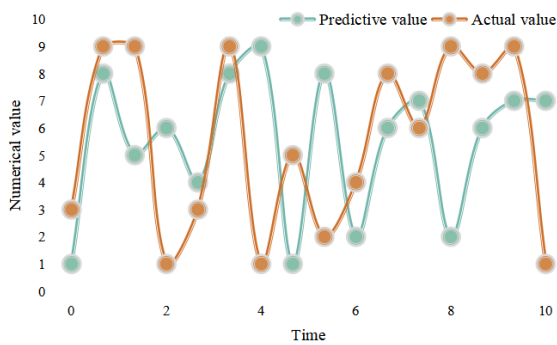


Figure 1. Analysis Framework and mechanism diagram



**Figure 2.** Results of exploratory factor analysis

Through debt financing, on the basis of ensuring that the company's control rights are not dispersed, the enterprise value can also be significantly improved by using financial leverage and tax shield effect. However, if an entity enterprise pursues financial asset investment too much, it will lead to the occupation of a large amount of capital resources in the entity enterprise, which will affect the normal development of its main business. On the one hand, the continuous expansion of the structure and scale of entity enterprises' financialization has led to the development of enterprise value and the extension and expansion of all aspects of enterprise capabilities. On the other hand, the development of entity enterprises' financialization has caused negative impact and influence on enterprise value. By analyzing the financing constraint environment of real enterprises in the financial market, we can find that weak financing constraint can make it easier for enterprises to obtain funds. Driven by the profit seeking nature of capital, real enterprises tend to invest more in financial assets, which is prone to over investment, resulting in low investment efficiency and inability to effectively invest capital in real industries. And then has a negative impact on the enterprise value. The financialization of real enterprises makes the financial industry and financial gap bigger and bigger, which weakens the supervision. Under the current social background, the financialization of real enterprises is particularly important to the value of enterprises. After the accumulation of social and economic capital to a certain extent, financialization becomes more prominent, and the profits brought by enterprise financialization to real enterprises become more and more obvious.

### 3.2. The Development and Innovation Path of Enterprise Financialization to Enterprise Value

We should correctly understand and treat the phenomenon of financialization of real enterprises, and study it from multiple angles and directions. Each enterprise should constantly innovate its development and management mode, strive to adapt to the general trend of the development of financialization of real enterprises, and take positive and effective measures and a positive attitude to deal with this phenomenon. The economic effect of enterprise financialization depends on the motivation of enterprise financialization and the financial effect of financial assets on enterprises. The financial assets allocated with the motivation of "preventive saving" can act as a "reservoir", and their high returns can also improve the business performance of the enterprise, increase the free cash flow of the company, and provide financial guarantees for enterprise investment and main business development. When an enterprise needs funds

to invest in fixed assets or carry out R & D innovation, it can sell highly liquid financial assets to meet the above needs and enhance the value of the enterprise. The old enterprise management mode can no longer achieve the development of modern financial market. We should not only strive to grasp the direction of future economic development, change the existing structure and operation mode, but also strive to maximize the benefits of enterprise value. The liquidity and profitability of financial assets can not only improve the internal financing ability of enterprises, but also effectively solve some problems of external financing.

The increase in the value of financial assets, especially the rise in the prices of financial assets and investment real estate measured at fair value, can increase the collateral of enterprises, improve the balance sheet and ease financing constraints. To deal with the financialization of real enterprises, the most important thing is to promote advantages and eliminate disadvantages, constantly curb the expected risks of the financialization of real enterprises, thoroughly implement the policies and guidelines of the central government, prevent and control financial risks, and maximize the value of enterprises. Relevant departments should strengthen the supervision and enforcement of financial risks, curb the excessive development of the financialization of real enterprises, and try their best to make up for the shortcomings of the enterprise system, We should prevent and control financial risks of enterprises, try our best to prevent disorderly and rapid expansion of real enterprises' financialization, and strive to make the transition as smooth as possible. Enterprise financialization motivated by "speculative arbitrage" will produce crowding out effect. According to the theory of resource allocation, the total amount of resources of an enterprise is relatively fixed in a certain period of time. The more money an enterprise uses to purchase financial assets, the less it invests in fixed assets and innovative R & D. We should constantly strengthen the credit constraint mechanism from both sides of supply and demand, strengthen supervision and market orientation, and solve the development impact of real enterprise financialization on enterprise value. In particular, we should reduce the phenomenon of financial imbalance, deeply understand and analyze the phasic nature of the financialization of real enterprises at this stage, not encourage the seedlings, make the financial system healthier, achieve sustainable development, and maximize the impact of financialization of real enterprises on enterprise value.

## 4. Conclusions

The impact of entity enterprise financialization on enterprise value is multifaceted and complex. We should grasp the speed and scale of entity enterprise financialization development as much as possible, avoid financial risks as much as possible, and realize the maximum benefit of enterprise value. In order to improve the self-value of real enterprises, real enterprises must allocate financial assets reasonably. As far as the government is concerned, it plays an "invisible hand" in the overall market environment. It should actively guide the capital flow and investment scale of the market. When the market has uncoordinated and unstable risk characteristics, it should take a variety of measures. We should improve the infrastructure construction of financial development, promote advantages and eliminate disadvantages, constantly curb the expected risks of the financialization of real enterprises, thoroughly implement the

policies and guidelines of the central government, and try our best to effectively prevent and control the adverse effects of financial risks on us. Enterprises should reasonably select the amount and term of financial assets according to their own operational characteristics and strategic objectives, maximize the positive role of financial assets, pay attention to the impact of financial investment on industrial investment efficiency, and attach importance to the impact of financial investment on industrial investment efficiency, so as to achieve the growth of industry and finance.

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