Study on the Influence of Financial Asset Allocation of Real Enterprises on the Sustainable Development

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Abstract. With the arrival of big data period and digital economy, economic development has put forward higher requirements for the sustainable development of enterprises. This paper takes the A-share listed manufacturing enterprises in 2010-2021 as the research sample to explore the impact on the financial asset allocation of real enterprises on the sustainable development of. It is found that the financial asset allocation of real enterprises has a negative effect on the sustainable development of enterprises. Further testing found that the short-term wealth effects mechanism showed the cover-up effect between the two. Finally, the proposal is proposed to alleviate the real economy of the real economy, so as to guide the sustainable development of real enterprises.

Keywords: Financialization; Sustainable development; Measurement model

1 INTRODUCTION

The party's 20th annual report stressed that in the process of building a modern industrial system, the development of the economy should focus on the real economy. Whether the goal of the enterprise is to maximize earnings per share or profit maximization, ensuring the sustainable development of the enterprise is the premise of achieving the goal. However, the competition between the physical enterprises has become more and more fierce. Therefore, many entity enterprises begin to choose to allocate financial assets, which can not only to increase the overall profits of entity enterprises, but also avoid market competition to a certain extent.

Domestic scholars began to discuss the entity enterprise financial asset allocation on enterprise sustainable development, many scholars believes that the entity enterprise allocation of financial assets, can revitalize the liquidity, to some extent to entity enterprise plays a "feedback" role (pang, 2019) [2], not only can improve the current profit returns, but also effectively prevent the currency devaluation (Xie Jiazhi, 2014) [7], is positive to the sustainable development of the enterprise. Some scholars put forward to the completely opposite view, entity enterprise take too much investment on financial assets make the entity enterprise lack of enough funds (Seo et al., 2012 Kliman and Williams, 2015), will produce "extrusion" effect (Wang Hongjian, 2017) [4], is negative to the sustainable development of the enterprise.

Compared with the existing research, the contribution to this paper tries to theoretically explain the reasons for the low sustainable development of entity enterprises in China. Second,

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further exploring the action mechanism between the two is helpful to clarify the internal connection and mutual influence between the virtual economy and the real economy, and to provide a thinking direction for the development of China's real enterprises.

2 HYPOTHESIS PROPOSAL

The allocation of financial assets by real enterprises may have a negative impact on sustainable development. On the one hand, the decline in real return rate and the explosive growth of financial investment yield rate is the main reasons for real enterprises to choose financial investment [9]. On the other hand, the salary of operators is closely related to the net profit of the enterprise. Operators ignore the long-term interests for the maximization of personal interests. So, when enterprises hold financial assets for "arbitraging" motivation, enterprises will gradually increase the proportion of financial assets and entity investment, cause entity enterprise from real to virtual (Li Shunbin and Tian Jun, 2019) [5], inhibit the sustainable development of the enterprise. Based on the above analysis, this paper presents the hypothesis that:

H1: The allocation of financial assets is negative to the sustainable development.

From the perspective of short-term wealth effect, the financial asset allocation of real enterprises is a short-sighted behavior and profit-seeking means of enterprise managers (Duan Junshan and Zhuang Xudong, 2021) [1]. The problems of high cost and low return faced by enterprises in the process of entity investment may affect the financial performance of enterprises in the current period. Managers are more willing to allocate financial assets for investment income in exchange for short-term high returns when facing short-term financial performance assessment (Sen and Dasgupta, 2018). Management pays more attention to the short-term financial performance to gain its own benefits rather than the long-term development of the enterprise. The strategic goals of entity enterprises have been ignored, and the investment of supporting resources to ensure the development of entity enterprises has become very limited [10], that is, the short-term wealth effect of the financial asset allocation of entity enterprises. To sum up, this paper believes that the impact on the financial asset allocation of real enterprises on the sustainable development of enterprises may be transmitted through the short-term wealth effect. Therefore, this paper proposes:

H2: The financial asset allocation of real enterprises acts on the sustainable development of enterprises through the short-term wealth effect.

3 RESEARCH DESIGN

3.1 Sample Selection and Data Source

The paper selects 2010-2021 A shares listed manufacturing enterprise data, in the process of research, we also in accordance with the following principles: (1) excluding the ST and ST * enterprises. (2) Some study samples with missing data were excluded. (3) Research samples with abnormal data and insolvency were excluded.

3.2 Definition of variables

1. Interpret variable (Sus). This paper draws on the research results of Liu Bin (2002) and (Yang Xudong et al., 2018) [3], who used the Van orn sustainable growth model to measure the sustainable development of real enterprises.

2. Interpretation variables (fin). According to the existing literature, this paper uses the proportion of financial asset investment to measure the financial asset allocation of real enterprises (Zhang Chengsi and Zheng Ning, 2020) [8]. We also use the previous period of financial asset investment proportion to measure the explanatory variable (pfin) to conduct the lag impact test.

3. Control variables. This paper selects 7 control variables that can affect the sustainable development of entity enterprises.

3.3 Model design

1. Benchmark model regression designs

In order to explore the impact of financial asset allocation of entity enterprises on sustainable development, the measurement model 1 is constructed as follows. If α_1 is <0, that means the financial asset allocation of entity enterprises is negative to the sustainable development. Considering that the financial asset allocation of real enterprises may have a lagging impact on the sustainable development, the model 2 that replaced the financial asset allocation ratio (pfin) in the last issue is shown as follows, and the other variables are consistent with the interpretation of model 1.

$$Sus_{it} = \alpha_0 + \alpha_1 fin_{it} + \alpha_j control_{it} + year_{it} + cp_i + \varepsilon_{it} \quad (1)$$

$$Sus_{it} = \alpha_0 + \alpha_1 pfin_{it} + \alpha_j control_{it} + year_t + cp_i + \varepsilon_{it} \quad (2)$$

2. Study of the influence mechanism

According to the analysis of the influence mechanism in the previous research hypothesis, this paper believes that the sustainable development of real enterprises may be transmitted through the short-term wealth effect.

Path of short-term wealth effect: financial asset allocation-improvement of short-term financial performance-sustainable development of enterprises. From the perspective of short-term wealth effect, managers believe enterprises can improve short-term financial performance through through financial investment. However, if the managers mainly focus on short-term speculation and profit-seeking, they may reduce the capital investment in the main business, which will have a negative impact on the sustainable development of enterprises. Therefore, this paper draws on the practice of Yang Yang (2021) [6], and takes the return rate of total assets (roa) as an indicator to measure the short-term wealth effect.

Based on the theoretical analysis and variable setting of intermediary variables mentioned above, this paper constructs the following regression model and tests the possible influence path of the financial asset allocation of entity enterprises on the sustainable development, and refers to the gradual regression method to test the intermediary effect proposed by Baron and

Kenny (1986):

$$y_{it} = \alpha_0 + \alpha_1 x_{it} + \alpha_j control_{it} + year_t + cp_i + \varepsilon_{it} \quad (3)$$

$$m_{it} = b_0 + b_1 x_{it} + b_j control_{it} + year_t + cp_i + \varepsilon_{it} \quad (4)$$

$$y_{it} = c_0 + c_1 x_{it} + c_2 m_{it} + c_j control_{it} + year_t + cp_i + \varepsilon_{it} \quad (5)$$

4 RESULTS & DISCUSSION

4.1 Descriptive statistics

As shown in Table 1, the average sustainable development is 0.0711, the maximum value is 0.399, and the standard deviation is 0.0683, indicating that the sustainable development level gap between listed entities in China is not large and at a low level.

Table 2 reports the correlation coefficients between variables are all less than 0.5, indicating that there is no serious problem of multicollinearity between variables, and it meets the requirements for further regression.

Table 1. DESCRIPTIVE STATISTICS

variable	N	mean	p50	sd	min	max
sus	19557.0000	0.0711	0.0552	0.0683	-0.0332	0.399
fin1	19557.0000	0.257	0.219	0.158	0.0351	0.746
cap	19557.0000	0.218	0.194	0.133	0.0111	0.608
size	19557.0000	21.95	21.79	1.167	19.24	25.51
sala	19557.0000	11.29	14.64	6.472	0	17.01
grow	19557.0000	0.244	0.118	0.562	-0.563	3.591
gdbl	19556.0000	0.226	0.0608	0.554	-0.343	3.700
tan	19557.0000	0.0424	0.0355	0.0317	0.000800	0.185
state	19557.0000	0.273	0	0.445	0	1

Table 2. CORRELATION ANALYSIS

	sus	fin1	size1	sala1	grow	cap	tan	gdbl	state
sus	1								
fin1	0.029**	1							
size1	0.123**	-0.163**	1						
sala1	0.065**	-0.011	0.249**	1					
grow	-0.016**	0.016**	-0.050**	-0.080**	1				
cap	-0.055**	-0.467**	0.144**	-0.025**	-0.182**	1			
tan	-0.030	-0.210	-0.019**	0.036*	-0.023*	0.136**	1		

	**	**		*	*				
gdbl	0.052**	0.016**	-0.070**	0.007	0.054**	0.007	-0.021**	1	
state	0.012**	-0.089**	0.338**	-0.075**	0.030**	0.153**	-0.004	-0.123**	1

Note: * p < 0.05, ** p < 0.01, *** p < 0.001

4.2 Analysis of the benchmark model estimation results

Table 3 (1) reports the OLS estimates of the sustainable development of entity enterprises, from the results, the regression coefficient of the degree of 1% significantly negative. This paper believes could be the following reason: In practice, the shareholders cannot effectively control the management, nor can they observe their efforts, and can only be evaluated through the financial performance of the financial performance. The management believes that financial investment can significantly improve the financial performance, which may be "idle" and focus more energy on short-term profit-seeking, reducing the resource investment in the development of the main business. Column (2) reports that the coefficient of the proportion of the financial asset allocation of the explanatory variables in the last period is still significantly negative for the explained variables, indicating that the lagging negative effect of the financial asset allocation of the real enterprises on the sustainable development of the enterprises exists.

Table 3. BENCHMARK REGRESSION ANALYSIS

	(1)	(2)
VARIABLES	sus	sus
fin	-0.0356***	
	(-5.4862)	
pfin		-0.0325***
		(-5.0769)
N	19,556	15,393
R^2	0.0296	0.0288

4.3 Analysis of the influence mechanism of the financial asset allocation structure of entity enterprises on sustainable development

Table 4 reports the model estimation results of the short-term wealth effect. It can be seen that the regression factor of the explanatory variable (fin) in the table (2) to the intermediary variable (roa) is significantly positive, indicating that the financial asset allocation of entity enterprises can significantly improve the financial performance. Enterprise managers choose to allocate more financial assets can indeed improve the short-term financial performance, the short-term wealth effect can indirectly improve the sustainable development of enterprise entity, but at the same time, this will make the enterprise managers focus on short-term speculation, financial income can meet the needs of managers' own interests, the sustainable development of the enterprise was ignored.

Table 4. SHORT-TERM WEALTH MODEL

VARIABLES	(1) Sus	(2) roa	(3) Sus
roa			1.3921***
			(48.6184)
fin	-0.0356***	0.0161***	-0.0580***
	(-5.4862)	(4.1011)	(-11.6187)
N	19,556	19,206	19,206
R^2	0.0122	0.0412	0.0182

5 CONCLUSIONS & SUGGESTIONS

5.1 Conclusion

Based on the panel data of manufacturing enterprises in China's A-share market from 2010 to 2021, the research finds that the financial asset allocation of real enterprises has a negative effect on the sustainable development of enterprises. After further testing the influence mechanism, it is found that the short-term wealth effect is hidden effects on the financial asset allocation and the sustainable development of real enterprises.

5.2 Suggestions

Starting from the short-term wealth effect, the high return to financial investment will make the managers of the real enterprises prefer the short-term investment in profit to cope with the performance assessment, and ignore the long-term development of the enterprises. Therefore, this paper considers that, on the one hand, the entity investment should be taken as part of the performance appraisal to reduce the short-sighted behavior of excessive financial asset allocation; on the other hand, the entity enterprise risk warning system should be improved to better evaluate the risks faced in the process of development, deepen the application of the new generation of information technology integration, focus on the mining and grasp of market information, and identify the best path for the sustainable development of entity enterprises.

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