

**Title:** Effects of The Inverted U-Shaped Relationship Between  
Financialization and Innovation Performance

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## ABSTRACT

Innovation is the core factor of the long-term development of real enterprises and is the continuous investment of large capital and human capital. However, in recent years, with the continuous improvement of China's financialization level, the financialization phenomena of industrial capital has appeared, breaking away from the traditional production and entering the financial capital cycle. This separated capital will not provide the enterprise with the capital needed to innovate, which has also become a major uncertainty about whether the real economy can maintain a healthy and stable development.

Based on the empirical research results, the following conclusions are drawn: (1) there is an inverted U-shaped relationship between financialization and innovation performance. On the one hand, the appropriate financialization level of real enterprises will promote innovation performance and play the "reservoir" effect. On the other hand, excessive financialization will inhibit innovation performance and form a "crowding-out" effect. (2) Different property rights and regional finance have different impacts on innovation performance. The financialization of non-state-owned enterprises and enterprises in eastern regions has a strong impact on innovation performance. In addition, reserve financial assets can play a greater "reservoir" effect,

while investment financial assets can only play a "crowding out" effect. (3) The degree of monetary policy easing plays an important role in the financialization process of affecting innovation performance. With the easing of monetary policy, the inverted U-shaped relationship between entity financialization and innovation performance, it manifested in three aspects: First, loose monetary policy can steep the inverted U curve between financialization and innovation performance and strengthen the impact of financialization on innovation performance; second, it can shift the inflection point between financialization and innovation performance, which means that financialization will play more "reservoir" effect; finally, the inverted U curve between financialization and innovation performance, improving the overall level of entity innovation performance. At the end of the article, according to the theoretical and empirical research results, combined with the actual situation, the corresponding policy suggestions are put forward for the real enterprises and decision makers.

In short, the impact of financialization on enterprise innovation performance is not simply promotion or inhibition. Research on this issue can provide experience to prevent enterprises from "disenchantment" and promote sustainable development. It has important theoretical and practical significance to real enterprises and decision makers.

**Keywords:** financialization of entity enterprises; innovation performance: inverted U-shaped relationship; monetary policy; adjustment effect.