

The financialization of non-financial companies in China: from macroeconomic perspective

Fengrui Chen

Tianjin University, China
fengruichen@tju.edu.cn

Baochen Yang

Tianjin University, China
bchyang@tju.edu.cn

Abstract:

Existing literature analyzed the relationship between the macroeconomic environment and corporate financialization. This study examines the impact of economic growth, monetary policy and financial development on corporate financial assets allocation. Based on the sample of A-share non-financial listed companies in China from 2000 to 2019, we use the Phillips and Sul (2007) algorithm to identify a group of convergent companies, which converges in growth rate of financial assets allocation. The findings in the sensitivity analysis are robust and we detect (1) convergence is not a recent phenomenon, but has existed in the period of 1998-2007; (2) including new companies during 2009-2019 shows that there is still a convergence trend. Then we find that this convergence is driven by macroeconomic factors. The impact of economic growth and financial development on corporate financial assets allocation is significantly positive, while the impact of monetary policy (M2 growth rate) is significantly negative. Furthermore, we find that convergent companies with obvious speculative arbitrage motivation and lower financial constraints tend to allocate more financial assets, while other companies have no obvious convergence trend due to their limited financing capacity and poor performance in financial investment.

Keywords: Corporate financialization, Convergence, Financial development, Economic growth, Monetary policy

JEL Codes: E22, G11, O16