Analysis the Investment Economic Fluctuation Law of Real Enterprises Based on the Perspective of Financial Investment Floating

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Abstract. The rapid development of the economy and the steady growth of the real economy are the foundation of economic prosperity, and the asset investment of real enterprises has always been one of the important pillars of the development of real enterprises. However, in the case of the improvement of financialization, the asset investment allocated by enterprises based on different motives will be alienated, and then affect the economic development of real enterprises. Therefore, it is of great significance to study the law of investment and economic fluctuation of entity enterprises. Based on the perspective of financial investment floating, the study sets up empirical research and obtains the law of investment economic fluctuation of real enterprises through the analysis of variable model.

Keywords: financial investment, entity enterprise, wave of capital economy, economic law, financial analysis

1 Introduction

With the gradual opening of the financial market and the promotion of financial liberalization, various industries have been developing rapidly, and the proportion of the real industry in the economy has gradually increased, leading to the emergence of a financialization trend. There are two reasons for the prominent trend of financialization among real enterprises. On the one hand, from the perspective of the real economy, the real economy faces a series of problems such as overcapacity, low efficiency, and rising costs, making it difficult for some enterprises to obtain high profits. In contrast, the rapid development of the financial market and the increasing maturity of the capital market have resulted in higher returns on financial assets, prompting more real enterprises to invest funds in the financial market to achieve speculative goals and obtain higher returns in the short term. On the other hand, from the perspective of financial investment flows, financial institutions in the financial market strongly support the real economy, and the financial return rate is high, which leads some real enterprises to obtain abundant capital flows, thereby intensifying their investment intensity[1].

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B. Siuta-Tokarska et al. (eds.), *Proceedings of the 2025 3rd International Academic Conference on Management Innovation and Economic Development (MIED 2025)*, Advances in Economics, Business and Management Research 348,
https://doi.org/10.2991/978-94-6463-835-6_5

The rise of financial investment implies that the actual interest paid is higher than the original benchmark interest rate, fostering the continued maturity of the financial market. The interaction between the real economy and the financial market is increasingly complex. In this context, real enterprises' dependence on financial assets has deepened, and the problem of "shifting from real to virtual" in economic development has gradually emerged. Therefore, to curb the trend of economic financialization, attention should be paid to the development of the real economy. A stable real economy is crucial for the sound development of the national economy, and fixed asset investment has always been regarded as an important pillar of real economy development. As the degree of financialization increases, entity investment guided by financial asset allocation strategies exhibits certain volatility, which then impacts the future development of enterprises. Therefore, it is of great significance to deepen financial reform and promote high-quality economic development from the perspective of financial investment. This paper aims to explore the mechanism underlying the investment economic fluctuation patterns of real enterprises and provide theoretical support and guidance for subsequent enterprise practices. To achieve this, this paper will comprehensively review and analyze existing literature to analyze and interpret the dynamic relationship between asset allocation and fixed asset investment from the perspective of financial investment, thereby providing strong support for economic development[2].

2 Theory and Hypothesis

2.1 Analysis of the Mechanism of the Investment Fluctuation of Real Enterprises Based on the Financial Investment Angle

The investment activities of an enterprise often involve long-term commitments and substantial capital, so any changes in fixed asset investment expenditure can lead to significant adjustment costs for the enterprise. In particular, the disruption of investment projects can result in substantial losses for the enterprise, highlighting the importance of smooth industrial investment. According to financing theory, when an enterprise invests in a project, it typically prioritizes internal surplus funds due to cost considerations. However, this approach can be influenced by the enterprise's operational performance, and cash flow may be uncertain. Secondly, external financing options such as bond financing and equity financing are available, but these can be costly and may send negative signals to the external environment, potentially leading to a decrease in enterprise value[3].

Financial assets can serve as a means of internal financing for enterprises, helping to mitigate the costs associated with financial constraints, meet the capital requirements of future investment opportunities, and cushion the impact of external shocks. When industrial investment is insufficient, enterprises can sell financial assets to obtain funds and increase the actual investment rate. Conversely, when investment is excessive, surplus funds can be invested in financial assets to reduce the degree of overinvestment. Therefore, the allocation of financial assets by real enterprises can help smooth fluctuations in enterprise investment.

2.2 Investment and Economic Assumptions of Real Enterprises

The theory of resource allocation emphasizes that, given limited resources, cost-benefit analysis and opportunity cost analysis are employed to allocate resources across various demand sectors in order to maximize economic benefits. According to the theory of investment substitution and resource allocation, financial assets and physical assets are both investment vehicles for enterprises. Due to resource scarcity, these two types of assets exhibit a substitution relationship, meaning an increase in financial assets will crowd out investment in physical assets. Since the objective of real enterprises is to maximize profits, one might initially assume that investment in financial assets would not significantly impact the investment fluctuations of the enterprise[4].

However, from the perspective of enterprise agents (managers), the long investment cycle, high investment costs, and inherent risks associated with physical assets create greater pressure and uncertainty. In contrast, financial assets offer quicker returns. Furthermore, in modern enterprise management, many enterprises adopt a performance-driven approach, linking the operational performance of the enterprise to the compensation of managers. Consequently, managers often prioritize short-term profits and stock price performance, as financial asset investments can enhance these metrics in the near term. Therefore, managers may allocate more resources to financial assets and pay less attention to physical asset investments[5].

Through the above analysis, it can be seen that the allocation of financial assets by real enterprises is driven by preventive saving motives, aiming to smooth investment fluctuations and support physical asset investments. In contrast, financial asset investments motivated by profit-seeking tend to fluctuate more significantly, and their impact on physical asset investments and overall enterprise investment fluctuations is less clear. Therefore, from the perspective of financial investment fluctuations, financial assets and physical asset investments have an interactive effect on the investment fluctuations of enterprises.

Hypothesis: Financial investment fluctuations in enterprises can exacerbate the volatility of real (physical) investment, rather than flattening it out.

2.3 Motivation of Real Enterprises from the Floating Perspective of Financial Investment

When real enterprises make investment allocations, there are often two different motivations from the perspective of financial investment fluctuations: precautionary savings and short-term profit pursuit. If the asset investment of an enterprise is driven by precautionary savings, that is, when the enterprise buys financial assets to balance cash flow and sells them when entity investment needs arise, financial assets are conducive to the development of entity investment at this time. However, if the asset investment behavior of enterprises is based on the "profit-seeking" motive, that is, by pursuing high returns on financial assets by reducing investment in production and operations, it will create a "crowding out" effect on the real economy[6-7].

Precautionary Savings Motivation: Entity investments typically require substantial capital and resource commitments, and the investment process involves stages of

construction, operation, and exit. This process necessitates long-term investment and continuous management and supervision, making the enterprise vulnerable to high adjustment costs when facing changes in investment expenditures. Once an investment project is interrupted, the enterprise may suffer significant losses. Therefore, entity enterprises tend to prioritize the sustainability and stability of fixed asset investments. The investment process in financial assets is characterized by high liquidity, low adjustment costs, and high transferability, making asset investment an important support for the entity investments of enterprises. Consequently, enterprises will use financial asset investments to mitigate the impact of uncertainty on their production and operations[8].

Short-Term Profit Chase Motivation: With the rise of financial investment and the gradual maturity of the financial market, a substantial amount of capital has flowed into the financial market, increasing the return rates in the financial industry. In contrast, the real economy faces challenges such as overcapacity and rising costs, leading to a gradual decline in real investment returns. In this context, to overcome profit dilemmas, enterprises have invested in financial assets to obtain higher profits.

3 Empirical Studies

3.1 Sample and Descriptive Statistics

The research sample of this paper is the half-year data of A-share listed companies from 20 20 0 to 202 4, and the data comes to the C SMAR database. Because this paper use HIP filter method, which makes the investment in fixed assets the data cannot be missing, so this paper only during the sample of fixed assets investment data complete company, and the ST and financial listed companies, finally retain 1582 companies, accounting for about one-third of the number of a-share listed companies, selected has A certain representative.

3.2 Variable Selection

Taking the sum of the cash paid by the fixed assets, intangible assets and other long-term assets as a measure of the fixed asset investment, the HP filtering method is further used to decompose the fixed asset investment into trend components and cycle components. Finally, the fluctuation of enterprise investment is measured by the ratio of cycle component and trend component.

Interpreted variables: Since enterprise resources are limited, no matter what motivation the enterprise invests in long-term and short-term assets, the increase of assets will inevitably occupy the entity resources, so that the differentiation motivation of asset allocation cannot be more accurately identified. According to the above analysis, it can be seen that enterprises allocate short-term financial assets for the consideration of precautionary savings, which can alleviate financing constraints and better address the adverse impact of external shocks on enterprises, so as to smooth the investment fluctuations of enterprises. The allocation of long-term financial assets based on profit-seeking motivation will not significantly affect the fluctuation of enterprise invest-

ment. Therefore, in order to identify the differentiation motivation and role of enterprises to invest in different types of assets, it is necessary to separate the cyclical components of fixed asset investment and use investment fluctuations for analysis[9-10].

Explanatory variables: Financial assets include monetary funds, transactional financial assets, derivative financial assets, financial assets available for sale, hold-to-maturity investment, investment real estate and long-term equity investment. Investment assets are standardized with total assets, recorded as Fa. At the same time, short-term financial assets include monetary funds and trading financial assets. Long-term financial assets include derivative financial assets, available for sale financial assets, hold-to-maturity investment, investment real estate and long-term equity investment, which are standardized with total assets and recorded as Sfa and Lfa.

Adjustment variable: A main manifestation of the adjustment problem is the management to expand on-the-job consumption, which can be measured by the management cost, so the management expense ratio can directly and accurately measure the adjustment cost. In contrast, the asset turnover rate measures the adjustment cost by an indirect way, and is affected by various factors such as inventory management and financial management, so the measurement of the adjustment cost is not very accurate. Therefore, to measure the agency cost according to the management expense ratio, namely (non-operating expenses + administrative expenses) / operating income. The higher the management expense ratio, the greater the adjustment cost. In conclusion, the variables involved in this paper and the way it are shown in Table 1 below.

Table 1. Variable Description

Variable properties	Variable Name	Variable symbol	Variable definition
Dependent variable	Fixed assets investment fluctuation	Inv-vol	Adjusting variable investment cycle components/investment trend components
	Financial asset allocation	Fa	Asset based real estate+long-term equity investment/total assets
Explanatory variables	Short term financial asset allocation	Sfa	(Monetary funds+trading financial assets)/total assets
	Long term financial asset allocation	Lfa	(Derivative financial assets+available for sale financial assets+held) Maturity investment+investment property+long-term equity investment /Total assets
	agency cost	Agcost	(Non operating expenses+management expenses)/operating income
Adjusting variables	Financing constraints	FC	Absolute value of SA index
	Leverage ratio	L ev	Total liabilities/owners equity
	Profitability	Roe	Net profit/owners equity
	Enterprise scale	Size	Natural logarithm of total assets
	Growth opportunities	Grow	Tobin Q
	Operating cash flow	Cfo	Operating cash flow/total assets

3.3 Model Design

Based on the above assumptions, this study mainly examines the investment economic fluctuation law of real enterprises from the perspective of financial investment floating, and adopts the logit model in the binary discrete selection model as the basic model form, and introduces the Gaussian mixed model structure design model as shown in Figure 1 and the model structure diagram. Assuming that the random error term u (t) in the utility function follows the logical normal distribution, the corresponding enterprise investment decision probability is:

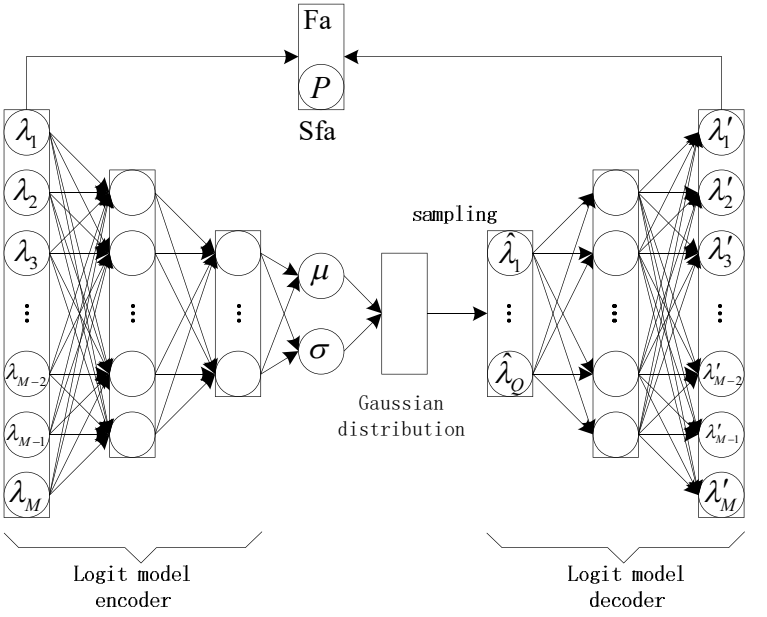

Fig. 1. Model Structure Diagram

In the model, a1 To focus on the parameters, the value represents the degree of the impact of enterprise financial asset allocation on investment fluctuations; the positive and negative parameters represent the direction of the impact; the positive sign indicates that the allocation of financial assets will aggravate the investment volatility, while the negative sign indicates that the allocation of financial assets will smooth the investment fluctuations. Based on the theoretical analysis, the expected a1 Significantly negative.The figure 2 is the decision model for enterprise investment economic fluctuations.

In order to avoid the problem of multicollinearity between the cross-multiplication terms and the original variables, FA, Sfa, Lfa and Agcost were centralized. Based on the assumption, the investment cost has a negative impact on the smoothing effect of the investment asset, while the role of the investment cost is reflected in the coefficient of the multiplication term, if a2, p is significantly positive, and s2 It is not significant,

indicating that the adjustment effect of investment cost is established, and the smooth effect of investment assets and short-term financial asset allocation on the investment fluctuation of enterprises weakens with the increase of investment cost.

In model interactions, FC refers to the level of investment constraints. Other variable definitions were consistent with the previous article. If the regression coefficient of the core explanatory variable Fa (Sfa) is significant, the model coefficient p is used to test the influence of the investment assets on the investment constraint level of the entity enterprise; If p is significant, further test the effect of the financial investment on the economic fluctuation of the entity enterprise.

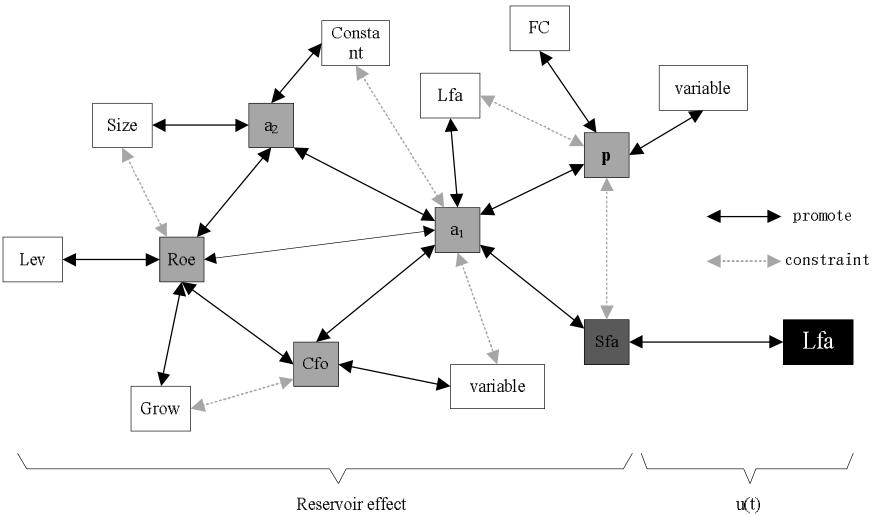

Fig. 2. Decision Model for Enterprise Investment Economic Fluctuations

4 Analysis of the Empirical Results

4.1 The Impact of Long-Term and Short-Term Investment on the Fluctuation of Enterprise Investment from a Financial Perspective

Based on the perspective of financial investment floating analysis, the heterogeneity influence of enterprise investment fluctuation is studied through the model regression equation. Short-term investment has the characteristics of high liquidity, low yield, low replacement cost, etc., if necessary, enterprises can dispose of it for long-term entity investment. Therefore, companies allocate short-term assets based on precautionary savings incentives. Long-term investment liquidity is relatively poor, but the yield is high, so enterprises allocate long-term financial assets mainly based on profit-chasing motivation.

The regression results of the equation model are shown in Table Table 2. The results show that the coefficient of short-term investment allocation is significantly negative regardless whether the control variable is added, indicating that the short-term in-

vestment assets are mainly "reservoir effect" and can smooth the investment fluctuation; and the regression coefficient of long-term investment asset allocation is negative but not significant, indicating that the long-term investment assets have no significant influence on the investment fluctuation, thus supporting the hypothesis.

Table 2. Regression results of the impact of long-term and short-term investments on enterprise investment volatility

	(1)	(2)	(3)	(4)	(5)	(6)
	Inv-vol	Inv-vol	Inv-vol	Inv-vol	Inv-vol	Inv-vol
Sfa	-0.2216	-0.254	-0.2336		-0.1090	-0.1068
Lfa	-5.64	-5.836	-5.83		0.5135	0.3184
Size			0.1256	-0.2458	-1.274	11.77
Lev			-0.0.102	-3.00	0.1666	0.000856
Roe			0.2356			0.213
Grow			-0.0.0175			3.81
Cfo	-0.4053		-0.14572			-329
Constant	-26.04		-3.227	-0.44400		-13.27
control variable	no	part	yes	no	part	yes
Individual effect	yes	yes	yes	yes	yes	yes
Period effect	yes	yes	yes	yes	yes	yes
R2	0.3659	03775	0.3799	0.3654	0.3768	0.3659

4.2 Economic Fluctuation Law of Investment in Enterprises

Enterprise investment in fixed assets can be filtered into trend value and cycle value, but the trend value may be negative, although the cycle value is negative, positive and cycle value is positive, trend value is negative investment fluctuation value is the same, but two cases investment fluctuation express economic meaning big difference, the former describes insufficient enterprise entity investment, the latter for excessive investment. Therefore, the proportion of the periodic value in the fixed asset investment is further used to describe the investment fluctuation for the robustness test. Table 3 shows the results of the model regression, which shows that the smooth effect of the long-term investment assets and the short-term investment assets on the investment fluctuations still exists, and the long-term investment does not have a significant impact on the enterprise investment fluctuations.

Asset investment fluctuation is replaced by fixed asset investment. The model regression results are shown in Table 4, and the regression coefficients of the long-term and short-term investments were all significantly negative. This shows that no matter what motivation the enterprise uses to invest, investment funds will squeeze out fixed assets. This is due to the limited capital of enterprises, whether it is precautionary savings motivation or profit motive, increasing assets will occupy more funds, thus crowding out the funds used for entity operation. Therefore, under the condition of floating financial investment, the economic fluctuation of real enterprises shows a long

downward trend and finally stabilizes.The figure 3 is the economic fluctuations in investment of physical enterprises.

Table 3. Model Regression Results

	(1) Inv-vol	(2) Inv-vol	(3) Inv-vol	(4) Inv-vol
Sfa	0.0166			-0.3497
Lfa	0.1705	-2.05	-0.2336	-1.33
Size	0.01974		-6.00	-0.1810
Lev	0.1313	2.5896	0.0155	-13.48
Roe		-2.224	-0.0194	0.0137
Grow			-0.1358	0.1484
Cfo		0.2807	-4.1934	-0.658
Constant	-4.585	0.1776	-13.91	-0.51545
control variable	yes	yes	yes	yes
Individual effect	yes	yes	yes	yes
Period effect	yes	yes	yes	yes
R2	0.3684	03806	0.3516	0.3745

Table 4. Regression Results of Investment Economic Model

	(1) Inv-vol	(2) Inv-vol	(3) Inv-vol	(4) Inv-vol	(5) Inv-vol
Sfa	-0.2216	-0.254	-0.2336		-0.1090
Lfa	-5.64	-5.836	-5.83		0.5135
Size			0.1256	-0.2458	-1.274
Lev			-0.0.102	-3.00	0.1666
Roe			0.2356		
Grow			-0.0.0175		
Cfo	-0.4053		-0.14572		
Constant	-26.04		-3.227	-0.44400	
control variable	no	part	yes	no	part
Individual effect	yes	yes	yes	yes	yes
Period effect	yes	yes	yes	yes	yes
R2	0.3659	03775	0.3799	0.3654	0.3768

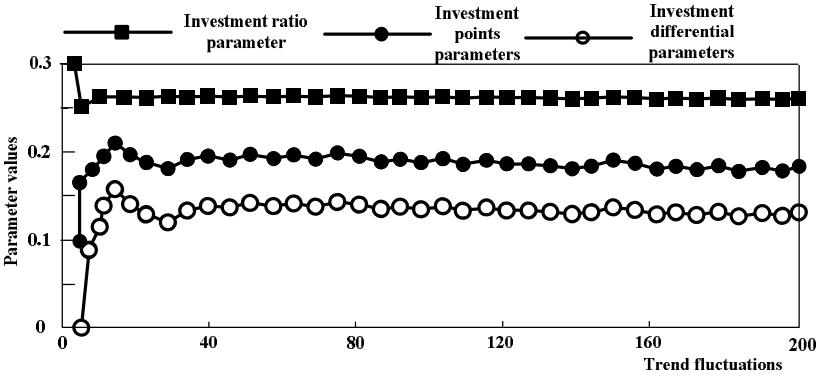

Fig. 3. Economic Fluctuations in Investment of Physical Enterprises

5 Conclusion

Based on the perspective of financial investment fluctuations, this paper studies the investment economic fluctuation patterns of real enterprises. First, the relevant theories regarding the investment economy of real enterprises are sorted out. Then, the mechanism of investment by real enterprises is analyzed. Finally, based on the theoretical analysis, an empirical study is conducted to examine the relationship between investment and economic fluctuations of real enterprises. The investment assets are categorized into long-term and short-term investments to study the heterogeneous influence of financial investment fluctuations. The heterogeneity analysis is conducted from the perspective of the differences in investment strategies employed by real enterprises and the fluctuations in financial investments. The final conclusions of this article are as follows:

On the whole, as financial investment rises, investment can smooth the fluctuation of enterprise investment. From the perspective of financial investment floating, investing in short-term assets based on preventive savings motivation can reduce the fluctuation of fixed assets investment; investing in long-term assets based on profit chasing motivation will not have a significant impact on the fluctuation of enterprise investment.

Investment cost does not have an adjustment effect in the relationship between long-term asset allocation and enterprise investment fluctuation, but it plays a negative adjustment effect in the process of short-term investment allocation smoothing enterprise investment fluctuation. The high investment cost is not conducive to the development of enterprise entity operation, which weakens the smooth effect of investment on the fluctuation of enterprise investment. In addition, financing constraints play an intermediary effect in the relationship between financial asset allocation and enterprise investment fluctuations. Financial assets can reduce the financing constraints of enterprises, weaken the influence of financing constraints on the investment fluctuations of enterprises, and finally achieve the purpose of smooth fluctuations.

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