# An Empirical Study on the Impact of Financialization on Financial Flexibility of Retail Enterprises from a Life-Cycle Perspective

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**ABSTRACT** As operating costs continue to rise, an increasing number of retail enterprises invest in financial assets. This financialization behavior has different effects on the financial flexibility of retail firms at different stages of the corporate life cycle. Using financial data for A-share listed retail enterprises from 2016 to 2022, this paper identifies the life-cycle stages of retail firms and examines the impact of retail enterprise financialization on financial flexibility. The results show that financialization has a significant negative effect on financial flexibility. From the growth stage to the maturity stage and then to the turbulence stage, the negative effect of financialization on financial flexibility follows a U-shaped pattern. However, for firms in the decline stage, financialization has a significant positive effect on financial flexibility. In addition, the negative effect of financialization on financial flexibility is more significant for retail firms located in the eastern and central regions and for non-state-owned retail firms.

**INDEX TERMS** retail enterprise financialization; financial flexibility; life cycle

## I. INTRODUCTION

Promoting high-quality economic development requires a high degree of attention to the growth and strengthening of the real economy. The retail industry has made an increasingly important contribution to real economic growth and has become an important component of China's real economy. Under a more complex and severe international environment and under stronger-than-expected domestic and international shocks, market demand for retail firms has gradually become saturated and the profitability of real-sector investment has continued to decline. As a result, retail firms have increasingly turned toward financial asset investment, deepening their degree of financialization.

However, if retail firms participate excessively in financial asset investment, such behavior may crowd out funds that were originally meant for real-sector investment [1]. In addition, the price volatility of financial assets may lead to cash-flow disruptions [2], thereby affecting firms' financial flexibility. If firms can allocate financial asset investment reasonably at different life-cycle stages and thereby reconfigure financial resources in a timely and effective manner, they can maintain or improve competitive advantages and continuously create value [3]. This issue therefore has practical significance for promoting the sustainable development of retail firms and the high-quality development of the real economy.

When confronted with worsening external financing conditions and slowing real economic growth, firms may pursue returns on financial assets at the cost of reducing real investment. However, the crowding-out effect generated by financialization increases short-term leverage [4] and heightens operating risk. At the same time, studies from the perspective of life-cycle theory find that, from the growth stage to the decline stage, the relationship between enterprise financialization and cash-flow risk follows a U-shaped pattern [5]. Since retail enterprises in the decline stage can no longer obtain ideal profits from real operations, they rely more heavily on investment in financial assets to obtain higher returns [6]. China's retail firms are currently in a critical stage of transformation and upgrading. In order to prevent disruptions in the capital chain, firms need to improve financial flexibility appropriately [7], and financial asset allocation plays an important role in the construction of corporate financial flexibility [8].

Existing studies mainly examine the effects of enterprise financialization from the perspectives of real investment [9], innovation [10], corporate risk [11], and operating performance [12]. Few studies, however, investigate the effect of retail enterprise financialization on financial flexibility from a life-cycle perspective.

Against this background, the possible contributions of this paper are as follows. First, from the perspective of the corporate life cycle, it explores the dynamic influence of retail enterprise financialization on financial flexibility, thereby broadening the research perspective on enterprise financialization. Second, by examining the impact of retail enterprise financialization

on financial flexibility under different geographic locations and ownership natures, the study helps guide retail firms to allocate financial assets rationally at different life-cycle stages and improve financial flexibility through real investment, thereby promoting stable, sustainable, and high-quality development.

## II. THEORETICAL ANALYSIS AND RESEARCH HYPOTHESES

### A. ENTERPRISE FINANCIALIZATION AND FINANCIAL FLEXIBILITY

Enterprise financialization refers to a resource allocation pattern in which firms invest more resources into financial markets and gradually reduce real-sector investment [10]. The motives for financialization can generally be divided into precautionary savings and profit-seeking motives. In China, enterprise financialization is mainly driven by the pursuit of profit [13]. Under such capital arbitrage incentives, when retail firms face declining sales performance and continuously falling profit margins in their core businesses, they reduce investment in operations and gradually increase investment in financial assets, thereby deepening financialization.

Financial flexibility refers to a firm's strategic management capability to mobilize relevant financial resources through changes in cash flows and capital structure at the lowest possible cost so as to adapt to a changing external economic environment and better realize the goal of value maximization under the capital needs of its own operating activities [14].

In the short term, if retail enterprises invest in financial assets for profit-seeking purposes in order to smooth earnings and achieve earnings-management objectives, cash-flow volatility may intensify [15]. This can substantially affect the firm's cash holdings, interfere with normal financing activities, and ultimately hinder the normal deployment of financial resources, thereby further reducing financial flexibility [16]. In the long term, the price volatility risk of financial assets and the uncertainty of returns on financial asset portfolios are gradually transmitted into firms as the degree of financialization rises, thereby increasing financial risk, weakening firms' ability to adjust cash holdings and tighten or maintain debt redundancies, and reducing their ability to respond to environmental uncertainty. This is not conducive to retail firms breaking free from financing constraints and strengthening core competitiveness, and to some extent reduces financial flexibility.

Based on the above analysis, this paper proposes the following hypothesis:

**H1:** Financialization of retail enterprises has a negative impact on financial flexibility.

### B. FINANCIALIZATION, LIFE CYCLE, AND FINANCIAL FLEXIBILITY

Generally speaking, the degree of financialization of retail firms changes with life-cycle stages in a regular pattern, first decreasing and then increasing [17], whereas financial flexibility follows an inverted U-shaped pattern of first increasing and then decreasing [18]. Therefore, the effect of financialization on financial flexibility differs substantially across life-cycle stages.

Retail firms in the growth stage are relatively small in scale, face high development costs and store-investment expenses, and operate under heavy competitive pressure. They often find it difficult to obtain high profits and usually face insufficient cash flow. Under long-term cash-flow shortages, investment in financial assets may have a negative effect on future profitability [19], making it difficult to allocate financial resources so as to ease the firm's financial condition. Thus, financialization has a significant negative effect on financial flexibility in the growth stage.

Retail firms in the maturity stage have accumulated abundant capital, possess high market shares, and have relatively sufficient cash flow, which enhances financial flexibility. Such firms are less likely to invest in financial assets purely out of profit-seeking motives, and their degree of financialization is relatively low. Compared with firms in the growth stage, the negative effect of financialization on financial flexibility is therefore weaker in the maturity stage.

Retail firms in the turbulence stage operate in a retail market that has shifted from an incremental market to a stock market, where development is slow or even stagnant, profitability is unstable, and internal financing capacity weakens. Production, operations, and innovation become highly dependent on the high returns generated by financial asset investment. As a result, the degree of financialization rises, cash-flow volatility intensifies, and financial flexibility is reduced to a greater extent. Therefore, the negative effect of financialization on financial flexibility is significant in the turbulence stage.

Based on the above analysis, the following hypothesis is proposed:

**H2:** Financialization has a negative effect on financial flexibility for retail firms in the growth, maturity, and turbulence stages.

Retail firms in the decline stage face competitive threats from more innovative and dynamic new retail formats. Because of slow responses and weak innovation, they gradually lose marginal profits, their market shares continue to decline, profitability gradually weakens, and financial conditions deteriorate. For survival, such firms seek profits from financial asset investment to compensate for losses in real operations, increase profits, and improve cash-flow liquidity, thereby enhancing financial flexibility.

Based on the above analysis, the following hypothesis is proposed:

**H3:** Financialization has a positive effect on financial flexibility for retail firms in the decline stage.

## III. RESEARCH DESIGN

### A. SAMPLE SELECTION AND DATA SOURCES

According to the *CSRC 2012 Industry Classification*, this paper selects financial data for listed retail enterprises from 2016 to 2022 as the initial sample. Considering the possibility of abnormal values, ST and *ST retail enterprises with large fluctuations in financial data are excluded. Firms with discontinuous, missing, or abnormal financial indicators are also excluded. The final sample consists of 576 valid observations. To eliminate the possible influence of extreme values on the regression results, the main variables are winsorized at the 1% and 99% levels.

The data mainly come from the CSMAR database. Some missing data were manually collected from Eastmoney, NetEase Finance, or listed firms' annual reports. Data processing and analysis were mainly conducted using Excel and Stata 16.0.

### B. VARIABLE DEFINITIONS

#### 1) Dependent Variable: Financial Flexibility (FF)

Following Ma Chun'ai et al. (2014) [20], this paper adopts a multi-indicator comprehensive research method and constructs a financial flexibility indicator system for retail enterprises by comprehensively considering three dimensions: cash holdings, refinancing ability, and financing environment, using the analytic hierarchy process and the coefficient of variation method.

**Table 1. Financial Flexibility Indicator System**

| First-level Indicator | Second-level Indicator | Indicator and Calculation Method |
|---|---|---|
| Cash holdings | Cash holdings | (Monetary funds + trading financial assets) / total assets |
| Refinancing ability | Accumulated equity financing ability | Net cash flow from operating activities / total assets |
| Refinancing ability | Unused debt capacity | 1 - asset-liability ratio |
| Refinancing ability | Incremental equity financing ability | Assigned according to the weighted average ROE over the past three years compared with the 6% benchmark |
| Financing environment | Z score | Z = 0.012X1 + 0.014X2 + 0.033X3 + 0.006X4 + 0.999X5 |

Where:

- X1: working capital ratio
- X2: retained earnings to total assets
- X3: EBIT to total assets
- X4: equity ratio
- X5: total asset turnover ratio

#### 2) Explanatory Variable: Financialization (Fin)

To directly reflect financialization behavior in the operating process of retail firms, this paper measures financialization as the proportion of financial assets in total assets. Following Demir (2009) [21], financial assets include seven categories: trading financial assets, derivative financial assets, net loans and advances granted, net available-for-sale financial assets, net held-to-maturity investments, net long-term equity investments, and net investment real estate.

#### 3) Grouping Variable: Life Cycle (Circle)

Following Dickinson (2011) and Li Zhumei et al. (2020) [22-23], this paper uses the signs of net cash flow from operating, investing, and financing activities to classify retail enterprises into four stages: growth, maturity, turbulence, and decline.

**Table 2. Classification Standard of Retail Enterprise Life-Cycle Stages**

| Cash Flow Item | Growth | Maturity | Turbulence | Decline |
|---|---|---|---|---|
| Net cash flow from operating activities | - / + | + | + / - | - |
| Net cash flow from investing activities | - | - | - / + | + |
| Net cash flow from financing activities | + | - | + / - | - |

4) Control Variables

Referring to Zeng Aimin et al. (2011) and Sun Hui et al. (2022) [24-25], this paper selects firm size (Size), ownership concentration (Top1), growth ability (Growth), the proportion of fixed assets (PPE), and board size (Board) as control variables.

**Table 3. Variable Definitions**

| Variable Category | Symbol | Variable Name | Calculation Method |
|---|---|---|---|
| Dependent variable | FF | Financial flexibility | Composite financial flexibility index constructed using AHP and the coefficient of variation method |
| Explanatory variable | Fin | Financialization | Financial assets held by listed retail firms / total assets |
| Control variable | Size | Firm size | Natural logarithm of total assets |
| Control variable | Top1 | Ownership concentration | Shareholding ratio of the largest shareholder |
| Control variable | Growth | Growth ability | Year-on-year growth rate of main business revenue |
| Control variable | PPE | Fixed asset proportion | Net fixed assets / total assets |
| Control variable | Board | Board size | Natural logarithm of the number of directors |
| Grouping variable | Circle | Corporate life cycle | Classified using the signs of net cash flow from operating, investing, and financing activities |

### C. MODEL SPECIFICATION

Based on Hypothesis H1, the following OLS regression model is constructed to examine the effect of retail enterprise financialization on financial flexibility:

$$FF_{i,t} = \beta_0 + \beta_1 Fin_{i,t} + \beta_2 Controls_{i,t} + \sum Year + \varepsilon_{i,t}$$

In the model, FF denotes financial flexibility, Fin denotes financialization, and Controls denotes all control variables. $\beta_0$ is the intercept term, $\beta_1$ and $\beta_2$ are the regression coefficients of the explanatory variable and control variables, Year denotes year fixed effects, and $\varepsilon$ is the random disturbance term.

To test H2 and H3, the sample is divided according to life-cycle stages and Model (1) is estimated separately for each group.

## IV. EMPIRICAL TESTS AND ANALYSIS

### A. DESCRIPTIVE STATISTICS

The descriptive statistics of all variables are shown in Table 4.

**Table 4. Descriptive Statistics**

| Variable | N | Mean | SD | Min | Max |
|---|---|---|---|---|---|
| FF | 576 | 0.522 | 0.120 | 0.270 | 0.816 |
| Fin | 576 | 0.112 | 0.132 | 0.000 | 0.610 |
| Size | 576 | 22.543 | 1.233 | 20.195 | 25.820 |
| Top1 | 576 | 0.320 | 0.136 | 0.003 | 0.817 |
| Growth | 576 | 0.040 | 0.442 | -0.706 | 3.317 |
| PPE | 576 | 0.177 | 0.140 | 0.004 | 0.649 |
| Board | 576 | 2.144 | 0.173 | 1.609 | 2.639 |

As Table 4 shows, from 2016 to 2022 the mean financial flexibility of retail firms is 0.522, with a maximum of 0.816 and a minimum of 0.270, indicating substantial differences in financial flexibility across firms. At the same time, the mean financialization level is 0.112, with a minimum of 0.000 and a maximum of 0.610, suggesting that some firms do not hold financial assets and that the degree of financialization varies considerably across retail firms.

Financial flexibility also changes regularly over the life cycle. It is relatively low in the growth stage at 0.521, rises to its highest point in the maturity stage at 0.542, falls slightly to 0.528 in the turbulence stage, and declines sharply to 0.417 in the decline stage. At the same time, retail enterprise financialization follows a pattern of first decreasing and then increasing over the life cycle: it is 0.107 in the growth stage, reaches its lowest point of 0.105 in the maturity stage, and becomes relatively high in the turbulence and decline stages at 0.131 and 0.125, respectively.

### B. CORRELATION ANALYSIS

Before conducting the regression analysis, Pearson correlation analysis is used to examine whether the relationships among variables are broadly consistent with the hypotheses. The correlation analysis results for the core variables are shown in Table 5.

**Table 5. Correlation Analysis of Core Variables**

| Variable | FF | Fin | Size | Top1 | Growth | PPE | Board |
|---|---|---|---|---|---|---|---|
| FF | 1 | | | | | | |
| Fin | -0.111*** | 1 | | | | | |
| Size | -0.159*** | 0.139*** | 1 | | | | |
| Top1 | 0.221*** | 0.137*** | 0.022 | 1 | | | |
| Growth | 0.157*** | -0.078* | -0.002 | -0.040 | 1 | | |
| PPE | -0.201*** | 0.213*** | 0.021 | 0.085** | -0.126*** | 1 | |
| Board | 0.071* | 0.112*** | 0.253*** | 0.050 | -0.041 | 0.131*** | 1 |

The correlation coefficient between retail enterprise financialization and financial flexibility is `-0.111`, significantly negative at the 1% level. This indicates that a higher degree of financialization reduces financial flexibility, providing preliminary support for H1. The correlations among variables are significant and satisfy the requirements for regression analysis without severe multicollinearity concerns.

### C. MULTIPLE REGRESSION ANALYSIS

#### 1) Baseline Regression Analysis

To examine the impact of retail enterprise financialization on financial flexibility, the `OLS` regression model in Equation (1) is estimated under year fixed effects. The results are shown in Table 6.

**Table 6. OLS Regression Results**

| Variable | FF (1) | FF (2) |
|---|---|---|
| Fin | -0.0968*** | -0.1117*** |
| | (-2.8253) | (-3.47) |
| Size | | -0.0166*** |
| | | (-4.77) |
| Top1 | | 0.2224*** |
| | | (6.52) |
| Growth | | 0.0363** |
| | | (2.57) |
| PPE | | -0.0296*** |
| | | (-6.39) |
| Board | | 0.1017*** |
| | | (3.56) |
| Constant | 0.5630*** | 0.5899*** |
| | (49.46) | (6.67) |
| Year | Control | Control |
| N | 576 | 576 |
| $R^2$ | 0.0525 | 0.2097 |
| $F$ | 5.62*** | 16.52*** |

In Table 6, Column (1) reports the regression without control variables, while Column (2) reports the regression with control variables. The coefficient on retail enterprise financialization is `-0.1117` and is significant at the 1% level, supporting H1. At the same time, firm size, ownership concentration, growth ability, the proportion of fixed assets, and board size all significantly affect financial flexibility.

2) Regression Analysis across Life-Cycle Stages

The regressions of financialization and financial flexibility across different life-cycle stages are shown in Table 7.

**Table 7. OLS Regression Results across Different Life-Cycle Stages**

| Variable | Full Sample | Growth | Maturity | Turbulence | Decline |
|---|---|---|---|---|---|
| Fin | -0.1117*** | -0.1604*** | -0.1187** | -0.1657** | 0.4048*** |
| | (-3.47) | (-3.23) | (-2.45) | (-2.20) | (5.07) |
| Size | -0.0166*** | -0.0114* | -0.0142*** | -0.0362*** | -0.0289*** |
| | (-4.77) | (-1.77) | (-3.08) | (-3.15) | (-3.73) |
| Top1 | 0.2224*** | 0.1010 | 0.1414*** | 0.2781*** | 0.2378** |
| | (6.52) | (1.44) | (3.58) | (2.84) | (2.45) |
| Growth | 0.0363** | 0.0113 | 0.1656*** | 0.0869** | 0.0608*** |
| | (2.57) | (0.86) | (3.88) | (2.22) | (6.07) |
| PPE | -0.0296*** | -0.0368*** | -0.0319*** | -0.0410*** | 0.0288** |
| | (-6.39) | (-4.34) | (-4.29) | (-4.77) | (-2.45) |
| Board | 0.1017*** | 0.1815*** | 0.0231 | 0.2785*** | 0.1265*** |
| | (3.56) | (3.19) | (0.68) | (4.51) | (2.69) |
| Constant | 0.5899*** | 0.3211* | 0.7268*** | 0.5831** | 0.6105*** |
| | (6.67) | (1.95) | (6.39) | (2.32) | (3.86) |
| Year | Control | Control | Control | Control | Control |
| N | 576 | 160 | 254 | 106 | 56 |
| $R^2$ | 0.2097 | 0.2571 | 0.3129 | 0.3883 | 0.6041 |
| $F$ | 16.52*** | 8.19*** | 10.87*** | 8.32*** | 9.62*** |

Table 7 shows that the impact of financialization on financial flexibility differs significantly across life-cycle stages. In the growth, maturity, and turbulence stages, financialization has a negative effect on financial flexibility and follows a U-shaped pattern. The coefficient on financialization is `-0.1604` in the growth stage and significant at the 1% level, `-0.1187` in the maturity stage and significant at the 5% level, and `-0.1657` in the turbulence stage and significant at the 5% level. These results support H2.

For firms in the decline stage, financialization significantly promotes financial flexibility. The coefficient on financialization is `0.4048` and significant at the 1% level, indicating that financialization helps compensate for losses in real operations and improves financial flexibility in the decline stage. This supports H3.

## V. ROBUSTNESS TESTS

The robustness regression results are shown in Table 8.

**Table 8. Robustness Regression Results**

| Variable | FF (1) | FF (2) |
|---|---|---|
| Fin | -0.1690*** | -0.1420*** |
| | (-4.29) | (-3.81) |
| Size | -0.0166*** | -0.0117*** |
| | (-4.81) | (-2.99) |
| Top1 | 0.2329*** | 0.2337*** |
| | (6.94) | (5.80) |
| Growth | 0.0360** | 0.0159* |
| | (2.58) | (1.02) |
| PPE | -0.0290*** | -0.0288*** |
| | (-6.30) | (-5.28) |
| Board | 0.0947*** | 0.0939*** |
| | (3.46) | (2.97) |
| Constant | 0.5949*** | 0.4927*** |
| | (6.76) | (5.03) |
| Year | Control | Control |
| N | 576 | 480 |
| $R^2$ | 0.2178 | 0.1675 |
| $F$ | 17.51*** | 10.34*** |

### *A. REPLACING THE CORE EXPLANATORY VARIABLE*

Net long-term equity investment refers to the investment gains or losses generated by holding a certain proportion of equity for a long period. Since this type of investment is more oriented toward operating investment, much of the literature does not classify it as financialization. To ensure the robustness of the results, and following Du Yong et al. (2017) [26], this paper replaces the measurement of enterprise financialization by excluding net long-term equity investment from the seven categories of financial assets described above. Column (1) of Table 8 shows that the coefficient on retail enterprise financialization is -0.1690, significant at the 1% level, indicating that the empirical results remain robust.

### B. REPLACING THE DEPENDENT VARIABLE

Since financial flexibility may have a lagged effect, and to alleviate potential endogeneity concerns, this paper follows Huang Xianhuan et al. (2018) [27] and uses a one-period lagged financial flexibility measure as the dependent variable. Column (2) of Table 8 shows that retail enterprise financialization still has a significantly negative effect on lagged financial flexibility, once again confirming the robustness of the empirical results.

## VI. FURTHER ANALYSIS

### A. REGIONAL HETEROGENEITY

Due to longstanding regional imbalances in China's socioeconomic development, the degree of financialization differs across retail firms in different regions, and so does its impact on financial flexibility. The sample is divided into two groups: the eastern and central regions, and the northeastern and western regions. The grouped regression results are shown in Table 9.

**Table 9. Grouped Regression Results by Region**

| Variable | Eastern and Central Regions | Northeastern and Western Regions |
|---|---|---|
| Fin | -0.842** | -0.1210* |
| | (-2.33) | (-1.68) |
| Size | -0.1938*** | -0.0003 |
| | (-4.91) | (0.42) |
| Top1 | 0.2495*** | 0.1102* |
| | (6.09) | (1.67) |
| Growth | 0.0265* | 0.0831* |
| | (1.88) | (1.69) |
| PPE | -0.0335*** | 0.0010 |
| | (-7.02) | (0.07) |
| Board | 0.0876*** | 0.1106* |
| | (2.89) | (1.84) |
| Constant | 0.6499*** | 0.2019 |
| | (6.52) | (1.13) |
| Year | Control | Control |
| N | 444 | 132 |
| $R^2$ | 0.2446 | 0.1886 |
| $F$ | 14.36*** | 3.17*** |

Table 9 shows that the coefficients on retail enterprise financialization are negative in both regional groups, meaning that financialization reduces financial flexibility in both cases, but the negative effect is more significant for firms in the eastern and central regions. The reason is that the eastern and central regions enjoy natural geographic and resource advantages, relatively developed economies, higher marketization, and stronger government policy support. Retail firms in these regions face more financial investment opportunities and tend to have a higher degree of financialization and greater cash-flow volatility, which leads to a stronger negative effect on financial flexibility. By contrast, although many policies have been introduced to promote the revitalization of the northeast, large-scale development of the west, and the Belt and Road Initiative, the development pace in the northeast and west remains relatively slow. In addition, rising uncertainty in economic policy and international trade disputes have increased uncertainty regarding future expectations. Compared with firms in the eastern and central regions, retail firms in the northeast and west are more inclined to preserve cash liquidity, have lower levels of financialization, and experience a weaker negative effect on financial flexibility.

### B. OWNERSHIP HETEROGENEITY

Retail firms with different ownership natures differ significantly in their operating goals, market competition intensity, financing constraints, and degree of government support, so the impact of financialization on financial flexibility also differs. The sample is divided into state-owned and non-state-owned retail enterprises, and grouped regressions are estimated. The results are shown in Table 10.

**Table 10. Grouped Regression Results by Ownership Nature**

| Variable | State-Owned Retail Firms | Non-State-Owned Retail Firms |
|---|---|---|
| Fin | -0.5340 | -0.1823*** |
| | (-1.28) | (-3.87) |
| Size | -0.0221*** | -0.0108** |
| | (-4.54) | (-2.21) |
| Top1 | 0.2846*** | 0.1080** |
| | (6.66) | (2.00) |
| Growth | 0.0333** | 0.0313 |
| | (2.05) | (1.50) |
| PPE | -0.2599*** | -0.3487*** |
| | (-4.53) | (-4.25) |
| Board | 0.0965*** | 0.1357*** |
| | (2.99) | (2.98) |
| Constant | 0.6852*** | 0.4239*** |
| | (5.73) | (3.50) |
| Year | Control | Control |
| N | 360 | 216 |
| $R^2$ | 0.2429 | 0.2285 |
| $F$ | 12.16*** | 7.68*** |

Table 10 shows that the coefficient on financialization for non-state-owned retail firms is `-0.1823`, which is significantly negative at the 1% level. For state-owned retail firms, the coefficient is `-0.5340`, indicating a negative but statistically insignificant effect on financial flexibility. Compared with non-state-owned firms, state-owned retail firms face less competition and less performance pressure, and their profit-seeking motive is weaker. By contrast, non-state-owned retail firms are more strongly affected by financing constraints and the profitability of real investment, and therefore are more inclined to invest in financial assets, especially highly liquid short-term financial assets. As a result, the negative effect of financialization on financial flexibility is more pronounced for non-state-owned retail firms.

## VII. CONCLUSIONS AND RECOMMENDATIONS

### A. CONCLUSIONS

Using financial data for listed retail enterprises from 2016 to 2022, this paper empirically tests the effect of financialization on financial flexibility at different life-cycle stages. The results show that retail enterprise financialization has a significant negative effect on financial flexibility. From the growth stage to the maturity stage and then to the turbulence stage, financialization continues to exert a significant negative effect on financial flexibility, and the magnitude of this effect follows a U-shaped pattern. However, for firms in the decline stage, financialization has a significant positive effect on financial flexibility. In addition, the negative effect of financialization on financial flexibility is more pronounced among retail firms located in the eastern and central regions and among non-state-owned retail firms.

### *B. RECOMMENDATIONS*

#### 1) Rational Investment in Financial Assets

Retail enterprises should reasonably invest in financial assets according to the life-cycle stage they are in. Retail firms in the growth, maturity, and turbulence stages should appropriately reduce financial asset investment, strengthen real-sector investment, search for new market demand, and dynamically adjust their business strategies based on market conditions so as to improve profitability and increase the stable and sustainable inflow of operating cash, thereby enhancing financial flexibility. By contrast, retail firms in the decline stage should, in light of their own operating conditions and cash needs, invest in appropriate and prudent short-term financial assets in order to increase cash inflows, cope with the current economic situation, relieve cash-flow pressure, enhance financial flexibility, and lay a solid foundation for future development.

#### 2) Improve Policies that Promote the Development of the Real Economy

The government should strengthen support for retail firms' real-sector investment and reduce short-sighted arbitrage behavior through financialization. On the one hand, for retail firms in the growth, maturity, and turbulence stages, the government should expand the scope of application of policies such as the "six taxes and two fees" and increase the intensity of VAT refund policies for excess input tax credits so as to further reduce burdens and support firms in difficulties. This would alleviate the negative impact of financialization on financial flexibility. For retail firms in the decline stage, the government should formulate corresponding policy-based lending programs and encourage financial institutions, in accordance with market-oriented principles, to provide stronger financing support and lower financing costs for retail firms that focus on the real economy and have relatively high credit ratings, thereby encouraging them to concentrate on core business activities and strengthen financial flexibility through cash generated by their main operations.

On the other hand, the government should formulate and introduce economic policies that optimize the spatial layout of economic development and financial resources, increase support for real-sector investment by retail firms in the northeast and west as well as by non-state-owned retail firms, and improve the quality of fiscal and financial policy services for retail enterprise development so that they can better serve the real economy.

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