

The Impact of Multinational Corporations' Fdi on Corporate Performance under Financing Constraints: an Empirical Analysis Based on Threshold Regression Model

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Abstract: in recent years, some scholars have changed the perspective of studying financial development and economic growth from macro to micro, and have begun to investigate the impact of financial development on corporate financing constraints, and have achieved relatively rich research results. China's financial market is not yet developed, and the level of development of financial markets in different regions varies greatly, so the level of financing constraints among companies in different regions also varies. Theoretically, financial development can reduce the degree of corporate financing constraints by optimizing the external financing of enterprises, while the performance of enterprises as microeconomic entities directly affects economic growth. Therefore, it is of great significance to study the relationship between financial development, financial constraints and corporate performance. It is found that fdi has no significant promoting effect on china's independent innovation, but there is a "double threshold effect" based on the degree of financial development. This paper analyzes the impact of fdi technology spillover on china's independent innovation from the perspective of financial development.

1. Introduction

In the process of reform and opening up, foreign-funded enterprises have played an active role in export growth, and have dominated china's total exports[1]. As a developing country that absorbs the most fdi, does china 's large inflow of fdi and its increasing r & d investment in china promote the improvement of technological innovation capabilities of domestic-funded enterprises? Does fdi's innovation spillover have differences and thresholds in different industries effect [2]? For a long time, scholars at home and abroad have mainly investigated the impact of foreign direct investment on the export competitiveness of domestic enterprises in host countries from the perspective of technology spillover, and the premise assumption of these studies is that enterprises do not have financing constraints. However, in reality, different enterprises face different financing constraints, which may lead to differences in export capabilities [3]. Multinational companies mainly adopt two ways to make direct investments abroad: new investment and cross-border mergers and acquisitions [4].

Generally speaking, china's financial development is in the stage of transition from underdeveloped to developed, from immature to mature. An obvious feature of this stage is the imbalance of regional financial development level. Such a financial market environment just provides a good research background for the study of the impact of china's financial development on economic growth, which also helps us to study the effect of financial development from the micro level [5]. The main body of market economy in china is enterprises, and the micro foundation of economic development is the operation performance of enterprises. When analyzing the impact of fdi on manufacturing agglomeration, it is necessary to bring the differences of marketization process in different regions into the analysis. It is often biased to ignore this basic reality and simply study the relationship between them. In order to better explore the characteristics of the marketization process, it is different from the past study of the relationship between fdi and industrial agglomeration [6]. This paper uses a threshold regression method to construct a non-linear panel data model for analysis, that is, to test the impact of fdi on manufacturing

agglomeration under different marketization levels in stages.

2. Theory Analysis and Hypothesis

2.1 Theoretical Analysis of the Relationship between Financial Development and Financing Constraints of Multinational Corporations

There is no perfect capital market in reality, and the external financing cost of an enterprise is often greater than the cost of its own capital. Therefore, when choosing a financing method, an enterprise first tends to have internal financing, and the problem of financing constraint arises. Financial development may ease the financing constraints of enterprises from two aspects of scale and efficiency [7]. On the one hand, financial development can reduce the risks and transaction costs of investors; on the other hand, it can also help reduce the problem of information asymmetry in the market and improve the efficiency of capital allocation, thus easing the level of financing constraints of enterprises. Specifically speaking, financial development can bring scale effect through the expansion of financial resources and the increase of financial products, reduce the risk and transaction cost of investors, and provide more sources of credit funds for enterprises. With the development of finance, the ability of financial institutions to acquire and process information will gradually increase, which will effectively reduce or overcome the problem of information asymmetry in the financial market. Through the evaluation of investment enterprises and projects, good investment projects will be selected to provide funds for growing enterprises. In the stock market with good functions, the impact of stock market performance on management compensation and the threat of being taken over will urge managers to link their own interests with the interests of shareholders of the company.

2.2 Theoretical Analysis of the Impact of Financing Constraints on Enterprise Performance

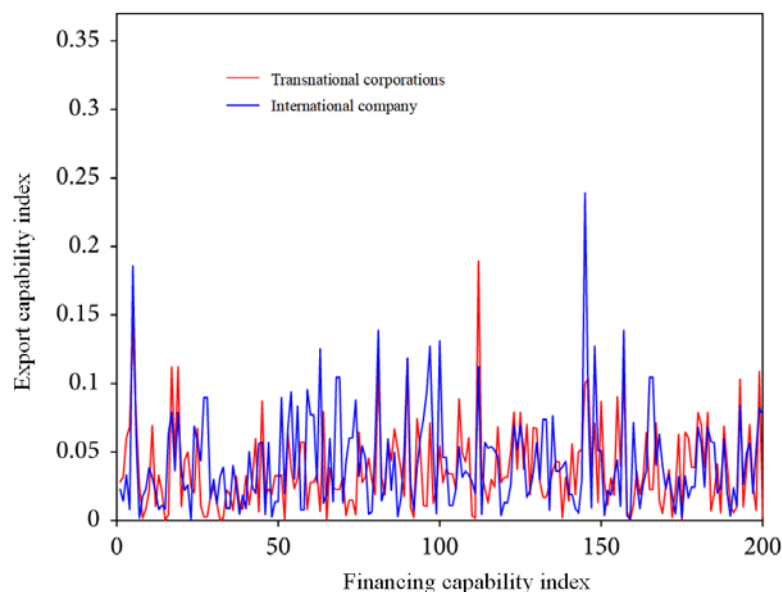


Fig.1 Relationship between Financing and Export Capacity of International Companies and State-Owned Companies

The location factors, including the size of the host country's market, the rate of economic growth, and cultural differences. The third is the factors at the industrial level, including industrial concentration, industrial growth prospects, and whether multinational companies invest in the same industry. Financial development can reduce the constraints of enterprise financing, reduce the difficulty of enterprise financing, reduce the cost of enterprise financing, make resource allocation more efficient and reasonable, which is conducive to enterprise development, and even promote the economic growth of a region or a country[8]. The existing research shows that the spillover effect of FDI mostly occurs in developed countries or those developing countries with high level of

economic development and perfect infrastructure, which shows that the spillover effect of FDI does not happen automatically, but is restricted by relevant factors. Figure 1 shows the export financing capacity of multinational companies and international companies.

2.3 Hypothesis Making

There is no difference between internal and external financing costs for multinational companies. However, the capital market in the real world is imperfect. When there is information asymmetry between multinational companies and potential investors in the market, it will lead to transaction costs and information costs. Therefore, asymmetric information will lead to higher external financing costs and higher external financing costs than internal financing costs of multinational companies. When there is a big difference between the two, multinational companies will have to rely more on internal financing with lower costs. At this time, multinational companies will face financing constraints. A developed financial market and a good financial system can reduce investors' risks and transaction costs, and also help reduce the problem of information asymmetry in the market, improve the efficiency of capital allocation, and thus ease the financing constraints of multinational companies. In most cases, the company has abandoned investment projects with a positive cash flow due to funding constraints. The easing of financing constraints can effectively improve such awkward situations, so that not only can companies obtain positive cash flow from investment projects, but also freely choose financing methods according to the company's situation, which improves corporate performance while achieving capital structure optimization. Therefore, the mitigation of hypothetical financing constraints is given in this article to help improve corporate performance.

3. Empirical Analysis

3.1 Test of Multinational Corporations' Fdi on Financing Effect

First of all, we compare the dependence of export external financing between joint ventures and non joint ventures. Foreign direct investment alleviates the dependence of export of joint ventures on external financing capacity, while it has the opposite effect on non joint ventures. Foreign direct investment intensifies the dependence of export of non joint ventures on external financing capacity. This is because: Foreign Direct Investment (FDI) can increase the fixed assets of the joint venture by means of equipment, technology, capital, etc., which makes it easier for the joint venture to obtain mortgage loans. For the non joint venture enterprises in the industrial agglomeration area, FDI alleviates the dependence of their export external financing ability, but it is not statistically significant; However, for non-joint ventures that are not located in industrial agglomeration areas, foreign direct investment has not improved, but has significantly increased the dependence of their exports on foreign sources of financing. To a certain extent, this shows that foreign direct investment has not eased the financing effect of non-joint ventures that are not located in industrial agglomeration areas. On the contrary, the local financing of foreign direct investment has further exacerbated the external financing difficulties of the latter.

3.2 Comparison of Financing Effects of Foreign Direct Investment and Financial Market Reform on Private Enterprises' Exports

We then separately observe the impact of foreign direct investment and financial market reforms on different types of private enterprises. The two have diametrically opposite effects on the external financing dependence of different types of enterprises' exports; financial market reforms have significantly increased the external source of joint venture private enterprises' exports. The degree of dependence on financing, but it has a significant mitigation effect on non-joint ventures; foreign direct investment significantly reduces the degree of dependence on the external financing capacity of the joint venture private enterprise exports, but it has a negative effect on non-joint ventures, which is not statistically significant. Significantly. This shows that: under credit discrimination, joint ventures and private enterprises have been able to obtain external financing capabilities due to

cooperation with foreign investment, which has resulted in financing advantages for non-joint ventures, leading to more rapid export growth. With the gradual progress of the financial market reform, the credit obtained by the joint venture private enterprises from the banks due to the imperfection of the financial system will be partially transferred to the non joint venture private enterprises. This financing advantage will gradually weaken, which will lead to the negative effect of the financial market reform on the mitigation effect of the former's export external financing ability. FDI has a statistically insignificant negative effect on the export of private enterprises, which is consistent with the above empirical analysis. FDI has a financing mitigation effect on the export of joint venture private enterprises, while it has a restraining effect on the export of non joint venture private enterprises, but not statistically significant. Figure 2 is a comparison of the financing effects of FDI on multinational companies and private enterprises.

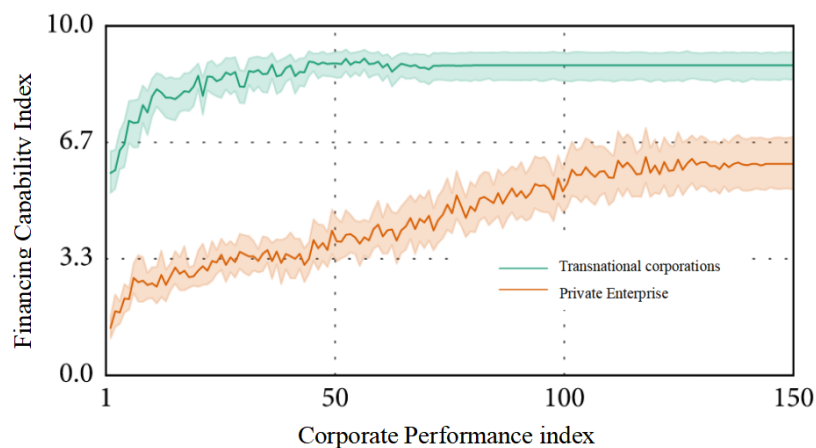


Fig.2 Comparison of Financing and Performance between Transnational Corporations and Private Enterprises

4. Conclusion

Promote the opening of financial markets and further deepen the reform of state-owned commercial banks. In order for the financial market to truly play its role in promoting independent innovation, it is necessary to improve the efficiency of the financial market by opening up both externally and internally and introducing competition mechanisms. This foreign commercial bank should also break through the shackles of traditional ideas. Second, small and medium-sized enterprises play an important role in absorbing FDI technology spillovers. At the beginning of the reform and opening up, the average level of multinational companies entering China to make direct investment in China's multinational management experience, strategic assets and management is relatively low, so most choose new investment methods. However, with the continuous development of China's market scale, economic level and human capital level, and the continuous improvement of capital market and policies and regulations, more and more multinational companies with rich experience in transnational operation, high strategic assets and management level are entering China, and these multinational companies tend to enter China through mergers and acquisitions. Therefore, FDI entering China in the future will increasingly tend to enter China through cross-border mergers and acquisitions. On the one hand, we should increase R & D funds and personnel investment, and strive to improve the technical level. On the basis of mastering basic technology and mature technology, we will organize and implement major scientific and technological projects and strive to break through key technologies and core technologies. On the other hand, in the construction of innovation team, efforts should be made to improve the mechanism of talent growth and mobility, establish an incentive mechanism conducive to the growth of high-tech talents, innovate the talent training mode, do a good job of training talents in critical areas, and strive to improve the quality of human capital in China's high-tech industry.

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