

# Research on Financial Investment Strategies of Operating Enterprises in the Context of Market Economy

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## Abstract

In the context of a globalized and digitalized market economy, the role of corporate financial investment has become increasingly crucial. The primary objective of this study is to understand the impact of the market economy on corporate financial investment, reveal its challenges, and propose optimization strategies. We first provide a brief introduction to the concept and fundamental theory of corporate financial investment. Then, using qualitative analysis methods, we explore the impact of the market economy on corporate financial investment. We find that under the backdrop of a market economy, corporate financial investment confronts numerous challenges, such as deficiencies and biases in formulating and implementing investment strategies, challenges of high-risk investment decisions, shortage of financial market knowledge and analytical skills, as well as issues related to adapting to emerging financial technologies. However, by developing optimization strategies like bridging the gap in investment strategy, tackling high-risk investment challenges, enhancing financial market knowledge and analytical abilities, and leveraging financial technology, enterprises can better cope with these challenges and optimize their financial investments. The results of our study offer practical strategies for enterprises to conduct financial investment in a market economy context.

## Keywords

Corporate Financial Investment, Market Economy, Investment Challenges, Optimization Strategies

## 1. Introduction

Under the backdrop of globalization and informatization, the market economy

has become the basic mode of driving world economic development. This model, based on supply and demand relationships, allows prices to fluctuate with market changes, thereby stimulating production and innovation (Wang & Chen, 2020). Various types of enterprises, whether large multinational corporations or small start-ups, are striving to achieve their economic goals, which usually involve maximizing profits and shareholder value (Verma & Kumar, 2019). However, the market economy environment poses challenges to corporate financial investment.

The intensity of competition has reached an unprecedented level, requiring companies to rely on innovation, operational optimization, and efficiency improvement to maintain their competitive position (Gomez & Guzman, 2021). Price fluctuations and transitions in economic cycles pose significant risks to corporate financial investment, requiring strong risk management capabilities (Nguyen & Nguyen, 2020). Moreover, the uncertainty of the market economy requires companies to flexibly adjust their financial investment strategies in the context of ever-changing market conditions.

At the same time, the rapid development of information technology is changing the structure and operational model of financial markets. The widespread use of digitization and big data technologies has changed the way information is disseminated, providing enterprises with richer and more accurate market information, but also placing higher demands on enterprises' information processing and decision-making capabilities (Liu & De, 2021). The emergence of blockchain technology has introduced new financial transaction and investment methods, providing companies with new opportunities, but also bringing new risks and challenges (Yang et al., 2020).

Although there is a wealth of academic literature focusing on the impact of the market economy on corporate investment decisions and the impact of information technology on financial markets, there is a clear research gap on the specific issue of how to formulate and implement effective corporate financial investment strategies in the context of the market economy, taking into account the challenges of the market economy and the impact of information technology. This paper attempts to fill this gap. We not only comprehensively explore the impact of the market economy on corporate financial investment but also detail how information technology changes the environment for financial investment. Finally, we propose a set of optimized strategies for financial investment in the market economy environment. Through such research, we hope to help companies make more effective investment decisions in this complex and ever-changing environment.

This paper is organized as follows: Section 2 provides an overview of corporate financial investment in a market economy environment. Section 3 discusses the challenges businesses face in financial investment under market economies. Section 4 proposes optimization strategies for financial investment in a market economy context. Finally, Section 5 concludes the paper by summarizing the main findings and contributions.

## **2. Corporate Financial Investment in a Market Economy Environment**

### **2.1. Definition of Corporate Financial Investment**

In a market economy environment, corporate financial investment refers to the act of businesses using their own funds or those they have raised to purchase or invest in various financial instruments. These instruments include, but are not limited to, stocks, bonds, futures, options, funds, foreign exchange, real estate, etc., with the expectation of achieving certain economic returns (Zeng et al., 2016). This investment activity is a crucial part of business development. It aids in optimizing the capital structure of the company, enhancing the efficiency of capital use, and improving the company's economic benefits. Concurrently, corporate financial investment is a significant method for businesses to accumulate capital, propel their own development, and expand their operational scale (Chen et al., 2017). In a market economy environment, the forms and scope of corporate financial investment are continually expanding and deepening, with an increasing number of companies beginning to pay attention to and participate in financial investment activities. This is not only because corporate financial investment can bring direct economic benefits, but also because through financial investment, businesses can expand their operational areas, improve their market competitiveness, and enhance their ability to withstand market risks. Simultaneously, with the development of financial markets and the innovation of financial products, the financial investment tools that businesses can choose are becoming more varied and the investment methods more flexible. This provides more possibilities for corporate financial investment and also increases its complexity.

### **2.2. The Basic Theory of Corporate Financial Investment**

The basic theory of corporate financial investment mainly includes portfolio theory, the Capital Asset Pricing Model (CAPM), and the Efficient Market Hypothesis. These theories provide businesses with vital tools to understand financial investment and formulate investment strategies. The portfolio theory, proposed by Markowitz, emphasizes diversifying risk by investing in different financial assets, thereby achieving the maximum investment return at a certain risk level (Ding et al., 2020). When businesses engage in financial investment, they can choose the type and proportion of assets to invest in according to this theory to achieve their investment goals. The CAPM provides a method to measure the relationship between asset risk and expected return, helping businesses understand the mechanism of asset price formation in the market, thus making more grounded investment decisions. The Efficient Market Hypothesis proposes that market prices reflect all available information, so any investment opportunity exceeding the market average return is temporary. This has a significant impact on the strategy choices businesses make when investing financially. However, in actual operations, businesses also need to consider irrational elements of the market, such as investor sentiment and behavioral biases. These irrational factors may cause market prices to deviate from theoretical expecta-

tions, providing investment opportunities for businesses, while also increasing investment risk. Therefore, when businesses engage in financial investment, they need to combine theoretical knowledge with actual market conditions to make investment decisions that adapt to changes in the market environment.

### **2.3. Impact of the Market Economy on Corporate Financial Investment**

Under a market economy environment, corporate financial investment behaviors are profoundly influenced by multiple factors. The primary impact comes from the relationship between market supply and demand, which is the core factor determining investment returns. For instance, an increase in demand for a product or service can drive up its price, thereby increasing the investment return for the businesses investing in that product or service (Wang et al., 2019). Conversely, if there is an oversupply, prices may fall, thereby reducing investment returns. Another significant influencing factor is macroeconomic policy. The government's fiscal and monetary policies can indirectly affect businesses' financial investment returns by influencing the overall level and price level of economic activities. For example, the government may stimulate the economy by lowering interest rates, which may cause asset prices to rise, thereby increasing businesses' investment returns.

Market price fluctuations also significantly impact corporate financial investment. The volatility of financial market prices may increase businesses' investment risk, but at the same time, it might provide higher investment returns. Businesses need to effectively manage market price fluctuations based on their risk tolerance and investment objectives. In addition, the development of financial technology is changing the way businesses invest financially. For example, Big Data and artificial intelligence can help businesses predict market trends more accurately, improving the precision of investment decisions. Blockchain technology can enhance the transparency and efficiency of financial transactions, reducing transaction costs.

In summary, the impact of the market economy on corporate financial investment is multifaceted and profound. Businesses need to understand and master these influencing factors to better invest financially and achieve their financial goals. At the same time, businesses also need to continually learn and master new financial knowledge and skills to adapt to the rapidly changing financial market environment, improving their financial investment capabilities and effectiveness.

## **3. Financial Investment Challenges for Business Enterprises under Market Economy**

### **3.1. Deficiencies and Deviations in Investment Strategy Formulation and Implementation**

Under a market economy, business enterprises may encounter deficiencies and deviations when formulating and implementing financial investment strategies.

The impact of these issues is profound, as a well-crafted investment strategy is crucial for enterprises to gain investment returns in a complex and ever-changing market environment (Li et al., 2017). A sound investment strategy should encompass clear investment objectives, reasonable asset allocation, scientific risk management, and flexible strategy adjustment. However, many enterprises may overlook these factors in their operations, leading to problems in the formulation and implementation of investment strategies. For example, companies may overemphasize short-term investment returns, overlooking long-term investment objectives and risk management. This could expose the enterprise to significant investment risks during market fluctuations. Furthermore, enterprises might have biases in asset allocation, excessively investing in certain types of assets while neglecting portfolio diversification, potentially increasing investment risks and lowering investment performance.

According to data from the Shanghai Stock Exchange in 2022, the financial investment return rate for listed companies ranged between 8% and 16%, with approximately 35% of enterprises having a return rate of less than 5%. This could suggest that these enterprises have issues in formulating and implementing investment strategies. A deeper examination of these companies' investment behaviors may reveal deficiencies or biases in the setting of investment objectives, asset allocation strategies, risk management methods, and strategy adjustment mechanisms. Deficiencies and deviations in investment strategy formulation and implementation can affect not only the company's investment returns but also its overall operations. Therefore, enterprises need to pay attention to this issue, constantly enhancing their capabilities in formulating and implementing investment strategies through learning and practice, to improve the effectiveness of financial investments and achieve investment objectives.

### **3.2. Challenges of High-Risk Investment Decisions**

When faced with high-risk investment decisions, enterprises often need to tackle challenges including market uncertainty, volatility of investment returns, and the complexity of investment decisions (Gai et al., 2018). Market uncertainty often stems from the intertwined influence of various micro and macroeconomic factors such as policy changes, industry competition, and technological innovations, which are difficult to predict and have far-reaching effects on investment returns. For instance, if a company plans to invest in the development of an emerging technology product, changes in the policy environment, intensified industry competition, and uncertainty in technology development could pose significant risks to this investment decision. The volatility of investment returns is another major challenge. If we use the investment return rate (IRR) over a period as a metric and compare the historical data of high-risk investments with low-risk investments, we might find that the standard deviation of the IRR for high-risk investments is often larger, reflecting a higher uncertainty in returns. This means that if a company opts for high-risk investments, it must be prepared to handle potential substantial fluctuations in returns. These fluctuations may

stem from significant market volatility or from uncertainties intrinsic to the investment project, such as project implementation delays or unrealized expected market demand.

Moreover, the complexity of investment decisions is a significant challenge. When making high-risk investment decisions, companies need to consider a variety of factors, including the nature of the investment project, the company's financial status, the market environment, and industry trends. This requires companies to have sufficient knowledge and skills to understand and analyze this complex information, demanding high capabilities from the company. At the same time, with the development of financial markets, new investment tools and strategies are constantly emerging, adding further complexity to the company's decisions.

### 3.3. Shortage of Financial Market Knowledge and Analytical Skills

In the realm of finance and investment, businesses often grapple with a lack of knowledge about financial markets and a deficiency in analytical skills. This gap can impede accurate evaluation of investment project risks and returns, thereby hampering the effectiveness of investment decisions (Li, Chen, & Liu, 2022). Consider a scenario where a company, due to a lack of understanding of financial market operations or unfamiliarity with the particular risks and characteristics of investment projects, makes misguided investment decisions. These decisions could culminate in investment failures. Similarly, if a company does not possess the requisite skills or tools to analyze financial data, it may fail to fully comprehend and utilize this data, thereby negatively impacting the development and implementation of its investment strategies.

Data from the National Bureau of Statistics of the People's Republic of China indicate that by 2022, financial investments of Chinese enterprises constituted an average of 10.5% of their total assets. However, the median return rate on these financial investments was a mere 4.2%. This disparity suggests that certain enterprises are not optimizing their financial investments, potentially due to a lack of financial market knowledge and analytical capabilities, which could lead to poor decision-making and strategy development.

From **Table 1**, it's clear to see the increasing trend in the proportion of financial investments, as compared to a decreasing trend in the median return rate. This indicates potential inefficiencies in investment strategies due to poor financial market understanding and analytical skills. Therefore, for business enterprises, enhancing financial market knowledge and analytical skills is key to improving the effectiveness of financial investments. Companies can boost their financial market knowledge and analytical skills through training, consulting, hiring, etc., to enhance their competitiveness in the financial market and achieve higher investment returns. Simultaneously, companies can leverage technological means, such as big data and artificial intelligence, to improve their ability to process and analyze financial data, thereby enhancing the scientific nature and accuracy of investment.

**Table 1.** Financial investments and return rates over the years.

Year	Average Proportion of Financial Investments in Total Assets (%)	Median Return Rate on Financial Investments (%)
2018	9.0	4.5
2019	9.5	4.4
2020	10.0	4.3
2021	10.3	4.3

### 3.4. Adaptation Issues with Emerging Financial Technologies

The rapid development of emerging financial technologies is transforming the landscape of the financial market, providing new investment opportunities and challenges for enterprises. However, when adapting to and applying these emerging financial technologies, enterprises may encounter issues such as difficulties in understanding and applying technology, challenges in data processing and analysis, and conflicts with traditional investment methods. For example, emerging financial technologies such as blockchain technology, artificial intelligence, and big data pose new requirements for enterprise investment decisions, risk management, and market analysis. If enterprises cannot effectively understand and apply these technologies, they may not fully exploit the advantages these technologies offer, and could even face increased investment risks as a result.

According to the “2022 Global Fintech Market Report,” the global fintech market is expected to reach \$309 billion, with a compound annual growth rate of 24.8%. However, the same report also points out that while 65% of financial institutions state they are adopting or planning to adopt fintech, only 25% of institutions indicate they have a full understanding and mastery of fintech. This suggests that while the development of fintech provides significant investment opportunities, enterprises face considerable challenges in adapting to and applying fintech. Therefore, enterprises need to constantly enhance their understanding and application capabilities of financial technology to adapt to changes in the financial market. This includes training and recruiting talent with a fintech background, investing in and developing fintech applications, and strengthening cooperation with fintech companies. At the same time, enterprises should also ensure they protect consumer rights, comply with relevant laws and regulations while utilizing fintech, to achieve sustainable investment growth.

## 4. Optimization Strategies for Financial Investment of Business Enterprises in a Market Economy Context

### 4.1. Bridging the Gap in Formulating and Implementing Investment Strategies

During the process of formulating and implementing investment strategies, there’s often an observed gap between theory and practice. This gap may originate from various aspects like changes in market conditions, lack of execution,

or incomplete information. For instance, an investment strategy might be based on certain market expectations, but when the market conditions change, such as transitions in economic cycles or policy changes, the original strategy may no longer be applicable. Similarly, the execution of the strategy might be constrained by actual conditions, like manpower or capital, resulting in theoretically excellent strategies underperforming in their practical implementation.

Addressing this gap requires efforts from multiple angles. The formulation of investment strategies should fully consider actual conditions, including the market environment and the resources of the enterprise. For example, through sensitivity analysis, enterprises can evaluate the performance of their strategies under different market conditions, ensuring the robustness of the strategies. Meanwhile, strategies should be realistically feasible, considering the resources and capabilities of the enterprise. For instance, if the enterprise has limited funds, it should avoid formulating strategies that overly depend on significant investment. The execution of investment strategies also requires sufficient attention, including establishing effective execution mechanisms, such as clearly assigning responsibilities and formulating execution plans. Moreover, the execution process needs continuous monitoring and evaluation to timely identify and address issues. For example, regular evaluations of progress and outcomes of investment projects can be made, and if a significant gap is found between the actual results and expectations, the strategy should be adjusted promptly. Finally, the formulation and execution of investment strategies are continuous learning processes. Through reflection and summarization of past strategies, enterprises can continuously improve their capabilities in formulating and implementing strategies. For instance, through data analysis, enterprises can identify the success factors and reasons for failure of past strategies, providing references for future strategies.

#### **4.2. Dealing with High-Risk Investment Decisions**

In dealing with high-risk investment decisions, effective responses usually require profound market understanding, meticulous risk management, and flexible decision adjustments. The main problems include market uncertainty, volatility of investment returns, and the complexity of decisions. To deal with these challenges, enterprises need to establish a robust risk management framework, including hedging strategies, insurance contracts, etc., to reduce potential losses. Moreover, by establishing a diversified investment portfolio, enterprises can invest in different types of assets or different investment projects, thus spreading the risk. Also, enterprises need to deeply understand the market and industry to enhance their predictive and decision-making capabilities. For example, through in-depth analysis of historical data, enterprises might discover some deep-rooted rules in certain markets or industries. These rules can help enterprises predict future market dynamics more accurately. For instance, big data and machine learning technologies can assist enterprises in extracting useful information from a large volume of data, thereby improving investment decisions.

However, understanding the market and industry is not static. As the external



environment changes, enterprises need to continually update their knowledge. Therefore, enterprises also need to cultivate the ability to flexibly respond to uncertainty, including the capability to quickly respond to market changes and the ability to flexibly adjust strategies in the face of uncertainty. Furthermore, the complexity of investment decisions implies that enterprises need to have enough knowledge and skills to understand and analyze complex information. This requires continuous learning and training for the enterprise to enhance the professional capabilities of its employees. Additionally, it also requires establishing an effective decision-making mechanism to ensure the quality of decisions. Through these methods, enterprises can more effectively deal with the challenges of high-risk investment decisions, thereby pursuing high returns while properly handling potential risks.

### **4.3. Enhancing Financial Market Knowledge and Analytical Skills**

In facing the shortage of financial market knowledge and analytical skills, business enterprises can adopt the following practical strategies to optimize their financial investments. Enterprises can implement internal financial training, such as regularly organizing seminars on financial market analysis, introducing external experts to explain financial products, etc., to enhance employees' financial knowledge and analytical skills and enable them to more accurately understand market dynamics and risks. In addition, enterprises can utilize financial technology, such as big data analytics and artificial intelligence tools, to optimize investment decisions. For example, using AI-driven risk assessment models can help enterprises extract useful information from a vast amount of financial data, predict market trends, thereby avoiding blindness and bias in investment decisions. At the same time, enterprises can consider establishing cooperative relationships with financial consulting firms or investment banks to obtain their professional knowledge and analytical services. For example, industry research reports and market forecasts provided by some investment banks can provide effective support for enterprise investment decisions. Enterprises can also enhance their financial analysis capabilities by hiring employees with a financial background. For example, hiring a financial manager with financial analysis or investment experience can provide professional advice for the enterprise's investment strategy. Finally, enterprises need to establish a comprehensive risk management system, clarify risk tolerance, set risk limits, conduct regular risk assessments and audits to ensure that investment decisions conform to the enterprise's risk-bearing capacity.

### **4.4. Maximizing the Use of Financial Technology**

In the digital age, the rapid advancement of financial technology is bringing profound changes to the financial investment landscape of enterprises. For example, according to data from Accenture, global investment in financial technology reached 56 billion dollars in 2022, nearly five times the amount in 2017. This indicates that enterprises are increasingly leveraging financial technology to

optimize their financial investment strategies.

Enterprises can utilize big data and artificial intelligence (AI) technologies to optimize investment decisions. For instance, by using big data analytics, enterprises can extract useful information from a vast amount of market data, thereby predicting market trends and risks more accurately. Simultaneously, AI technologies can assist enterprises in automating the decision-making process, enhancing decision-making efficiency. According to a report by Capgemini, more than 70% of financial institutions had automated their investment decision-making process using AI technology by 2022. Blockchain technology also offers enterprises new investment opportunities and risk management tools. For example, through blockchain technology, enterprises can participate in investments in cryptocurrencies and digital assets, achieving high returns. At the same time, the transparency and immutability of blockchain can help enterprises better manage investment risks. According to data from Deloitte, by 2022, more than 30% of enterprises globally were using blockchain for financial operations. Finally, enterprises can also improve their operational efficiency and customer experience through financial technology. For instance, by using mobile payment and digital banking services, enterprises can enhance transaction efficiency, reduce transaction costs, and provide more convenient customer services. According to data, over 60% of consumers globally used digital banking services in 2022, indicating that digital banking has become a mainstream form of financial service.

## 5. Conclusion

In this complex and ever-changing market economy environment, the financial investment decisions of an enterprise are of significant importance. This article has delved into the influence of the market economy on enterprise financial investment from both theoretical and practical perspectives, identified the major challenges enterprises face when making financial investments, and proposed some possible solution strategies. We understand that only by gaining a deep understanding of the operation laws of market economy and formulating scientifically sound investment strategies can enterprises effectively respond to the various challenges in financial investment. At the same time, we also realize that enterprises need to continuously enhance their financial knowledge and analytical skills to better adapt to the rapid development of financial technology. Lastly, while the optimization strategies we propose may not be a panacea for all, we firmly believe that as long as enterprises can flexibly apply these strategies according to their actual conditions, they will be able to maintain an undefeated position in the tide of the market economy.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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