

Study on the Effect of Macroeconomic Factors on Corporate Finance

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Abstract: Financial management is essential for each enterprise, in other words, financial management influences the enterprise's surplus and long-term development directly. Therefore, it is necessary for each enterprise to analyze the factors that may cause the financial situation of the enterprise. From a macro point of view, the market inflation and deflation, the purchasing power of money, the market money supply, the overall economic environment, interest rates and other factors will have an impact on the financial situation of enterprise more or less. And the related professional organization has made a conclusion through a specific method: the gross domestic product (GDP) has a negative correlation with the enterprise financial risk, the real interest rate of the market has a positive correlation with the financial risk of the enterprise and the inflation of the market is not related to the financial risk of the enterprise in a certain sense. In this paper, I will analyze the impact of specific macroeconomic factors on enterprise finance.

Keywords: Macroeconomic factors; Enterprise finance; Impact

1. Introduction

In recent years, with the development of China's economy, the large and small enterprises in China have gradually recognized the importance of financial management, especially the financial risk prevention. For an enterprise, if it can avoid the losses caused by the external environment factors excepting the internal factors of enterprise, it will have an unspeakable benefits to the enterprise's earnings and development in a certain period. And in order to avoid the loss caused by external factors, it is required that the financial managers of enterprise should analyze the factors, such as the market inflation and deflation, the purchasing power of money, the market money supply, the overall economic environment and interest rates continually, to find out the possible macroeconomic factors caused by the economic losses and to find out effective measures to avoid economic losses, so as to avoid enterprise financial risks successfully.

2. Theoretically Analyze the Impact of Macroeconomic Factors on Enterprise Finance

2.1. Analyze from the overall social economic environment

In the above, it is mentioned that the overall economic environment of the society has a negative correlation with the risk of enterprise finance, which means that if the macro economy of the market continues to deteriorate, it will lead to a greater demand for market among peers enterprises, but also means that the enterprises' cash flow will flow to the market largely and the enterprises' liquidity will be reduced substantially, so that the probabil-

ity of financial crisis has greatly increased. At the same time, the deterioration of the macroeconomic factors in the market will result in an increase in the unemployment rate and a decrease in the purchasing power of the market as a result of the decline in household incomes, and the reduction in the purchasing power of the market will result in a reduction in the demand for manufactured products, so as to effect the daily business surplus of enterprise and force the occurrence of enterprise financial risk. Secondly, the commercial banks' cyclical loans included in the macroeconomic factors will also be dangerous to enterprise finance. Because the commercial banks' cyclical loans make the enterprise's financing pressure increase, so the relevant enterprise leaders will worry about the impact of economic recession and growth on commercial banks' tendency loans. If the changes of economy effect the loans of commercial banks, the financing of enterprise will be affected, and it will cause a attack to the daily operation situation and financial situation of the enterprise.

2.2. Analysis from the perspective of market inflation level

There is no significant correlation between the market inflation level and the financial risk of the enterprise, but it does not mean that there is no connection between them, the specific can be divided into the following three cases: First of all, the serious market inflation will make the enterprise's production costs increase significantly, including the labor costs and material costs, and once the enterprise's operating costs higher than the original level, it will cause a large extent of attack to the original liquid-

ity of the enterprise, so that to make the enterprise to raise funds and invest funds continually, which causes a very large pressure on the operation of the funds and affect the financial situation of enterprise. Second, in the market inflation stage, the enterprise cost calculated by the planned cost method is always lower than the actual cost of the enterprise, but the sales revenue of it will be overestimated in the case of inflation. The situation that the actual cost is higher than the planned cost and the actual income is lower than the planned income will make the enterprise's estimated profit much higher than the actual profit, resulting in the enterprise's book profit is very impressive but the actual profit is in general, which will make enterprise face the situation that overestimating their own profitability, if it last a long time, the financial situation of enterprise must be unhealthy, and most likely to threaten the development of enterprises. Finally, in the market inflation period, due to the enterprise asset valuation system become disordered with the market economy changes, enterprise may also appear large scale loans than before, so that enterprise comes into an endless shortage of loans. Which is tantamount to a fatal blow for enterprise finance. To sum up, the market's inflation situation is not absolutely positively or negatively correlated with enterprise finance, but the influence of market's inflation situation on the enterprise cannot be overlooked.

2.3. Analysis from the perspective of monetary supply and money purchasing power

The monetary supply of the market, that is the central bank's currency circulation is negatively correlated with the financial risk of the enterprise. Through specific analysis, the correlated situation between the money supply of the market and financial risk of the enterprise can be divided into two: the first situation is favorable to the enterprise, that is, the central bank by reducing the statutory reserve to raise the amount of monetary actually put into the market, to expand the demand for monetary to make the credit pressure of commercial banks reduce. If the enterprise meets the credit basic standard of commercial banks, the expectation of banks to loan monetary funds to the enterprise is higher than to put the normal monetary supply in market environment, then the enterprise financial difficulties caused by the risk, such as raise funds, will be greatly reduced, which is very favorable for the enterprise. The second situation is that the central bank carry out a relatively loose monetary policy, in this time, people's currency holdings increased significantly compared to the usual, so except meeting the daily life demand, there are some funds has no place to place. It is natural that people will think of the way of funds investment to obtain funds return, which from a certain point of view, broadens the enterprise financing channels and is helpful for the enterprise's financial turnover, and

is also beneficial for the long-term development and investment profitability of the enterprise.

2.4. Analysis of the influence of macroeconomic factors on enterprise finance from the perspective of interest rate

Market interest rate is positively related to the financial risk of enterprise. When it comes to the influence of market interest rate on the financial situation of enterprise, the first influence on the enterprise is the financing situation. Generally speaking, it can be divided into the following three situations, the first situation is when the market interest rate is higher, if the enterprise want to carry out commercial financing, it must consider the rising enterprise financing costs caused by the rising of interest rate, in which enterprise need to pay a relatively high funds interest, which will make pressure to the daily funds operation and form a financial sense of tension. Another situation is that the improvement of market interest rate makes enterprise to raise interest above the market if it want to issue shares, bonds, etc., which can ensure the smooth release of enterprise financial products. For the enterprise, in terms of financing, it may cause great pressure. The last situation is the influence of market interest rate on enterprise daily investment. Specifically, when the market interest rate rises, the daily investment projects carried out by enterprise will occur the situation that the discount factor is reduced, thus affecting the daily investment of enterprise, thereby affecting enterprise earnings and causing great influence on the financial situation of enterprise. Then it can be seen that market interest rate is positively related to the financial risk of enterprise.

2.5. Analysis of the influence of macroeconomic factors on enterprise finance from the perspective of exchange rate

On the whole, the exchange rate is negatively correlated with the financial risk of the enterprise. That is to say, the increase of the exchange rate will have an influence on the enterprise finance in terms of economic risk and accounting risk. First, from the economic risk, accurately, the increase of the exchange rate will have an influence on China's export enterprises, but other enterprises cannot ignore the influence of it on enterprise finance, especially those who have nepotism business with export enterprises. The increase in exchange rate will make the export volume of the enterprises increased substantially, and the increase in funds investment will directly affect the production of enterprises, thereby inhibiting the export volume of it, resulting in business difficulties, to make the scale of production enterprises to stop, which will attack the scale of existing funds and increase the financial risk of enterprises. On the other hand, from the aspect of accounting risk, the change of the exchange rate

will make the overseas assets and liabilities of the enterprises have a considerable amount of changes in the amount of funds, to make difference between the enterprise's input assets and expected return, and also make a difference between the loan and return of enterprise liabilities. Therefore, the changes of exchange rate have an influence on both the profit and the loss of enterprise, and the exchange rate is positively related to the risk of enterprise finance, which is an important factor that cannot be neglected in the macroeconomic factors.

2.6. Analysis of the influence of financial risk on enterprise from the perspective of capital market variables

The so-called capital market variables, in simple terms, it is the influence of the stock changes on the capital market, for an enterprise, the stock is not only a form of financing, but also is an important factor to reflect the enterprise business situation in a certain accounting period. If analyzing from the perspective of stocks, when the financial crisis occurs, most entrepreneurs will use the method of selling stocks to carry out market financing, praying for going through enterprise crisis in this way, but when the enterprise faces financial crisis, compared to the previous, its corresponding stock price will reduce a lot, which also reflects that the value of the enterprise deviate a lot compared to the value before financial crisis, even so, the enterprise's financial risk will be reduced a lot in this way, which can response the enterprise financial crisis effectively. Therefore, the financial risk of enterprise should be analyzed from the macroeconomic factors, and it cannot be separated from capital market variables. Moreover, from a certain point of view, the stock market index was negatively correlated with enterprise financial risk.

3. Prospects for Future Financial Management

For each enterprise, financial management is a very important part, from today's development trend, the factors that influence enterprise financial risk can be divided into macroeconomic factors and microeconomic factors, this article only discussed the influence of macroeconomic factors on the enterprise finance, but the influence of microeconomic factors on enterprise finance cannot be overlooked! For enterprises, in order to maintain a good development situation in nowadays, it is important to pay much attention to the importance of financial manage-

ment, especially the importance of financial risk prevention, which is very helpful for enterprises to effectively reduce unnecessary losses and improve their development. With the rapid development of society, in the future social environment, enterprise financial management may face a challenges and opportunities again and again, the senior enterprise financial management must have a good sense of knowledge update, they can analyze the factors which may cause enterprise losses in ahead, especially the factors which can be predicted or can be analyzed by professional knowledge, such as the six macroeconomic factors mentioned above, only through the effective analysis of the enterprise financial management personnel to a variety of factors influencing enterprise finance, it can restore the economic loss of enterprise in time, to ensure the normal operation of enterprise and to provide protection for the development of enterprise.

4 . Conclusions

The financial situation of enterprise is related to the lifeblood of it, and even that the financial integrity of the enterprise directly reflects the business situation. In today's society, there are a lot of factors that can affect the enterprise finance, each one cannot be ignored, especially the macroeconomic factors, this article analyzes the influence of macroeconomic factors on enterprise finance from the perspective of overall social economic environment, market inflation level, money supply and currency purchase ability, interest rate, exchange rate and capital market variables, and hoping to help the relevant people.

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