Analysis of The "Inverted U-shaped" Relationship Between Monetary Policy and Technological Innovation in Enterprises

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Abstract

In the process of promoting high-quality economic development and establishing an innovative country, it is necessary to give full play to the subjective initiative of microeconomic agents and encourage enterprises to engage in technological innovation. Therefore, the implementation of the right monetary policy at the right time to promote enterprise technological innovation is crucial to China's economic and social development. To explore the effectiveness of the impact of monetary policy on enterprise technological innovation, this paper systematically combs through the relevant literature on monetary policy and enterprise technological innovation, takes the A-share listed companies in China as samples from 2009-2022, and empirically analyzes the impact of monetary policy on enterprise technological innovation from the perspective of quantity and price by using the two-way fixed effect model, and ultimately draws the following conclusions. Conclusion: (i) Both quantity-based monetary policy and price-based monetary policy have an "inverted U-shape" relationship with enterprise technological innovation; (ii) Financing constraints play a significant mediating effect in the impact of monetary policy on enterprise technological innovation; (iii) The impact of monetary policy on enterprise technological innovation is more obvious at the level of non-state-owned enterprises, enterprises in the eastern region and manufacturing enterprises. Finally, based on the conclusion, this paper puts forward suggestions from three perspectives: government, central bank, and enterprises, to provide reference for related researchers.

Keywords

Monetary Policy, Technological Innovation, Financing Constraints, "Inverted U-shape", Fixed Effects