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Will the luxury culture of the financial industry spread to non-financial companies? Based on empirical evidence of corporate financialization

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Abstract. China is the second-largest economy in the world. Recently it has shown a significant trend of financialization. The financial industry is becoming increasingly influential across the whole country. However, there is much negative information about its prevalent luxurious lifestyle. According to the finding presented in this paper, corporate financialization may cause the luxury culture of the financial industry to spread to non-financial companies, and the excessive perquisites reflect the luxury consumption of non-financial companies' managers. This paper aims to determine the relationship between corporate financialization and excessive perquisites, as well as explore the mutual relationship between the two, in particular the role of luxury culture. Based on a sample of A-share companies listed on the Shanghai and Shenzhen stock exchanges from 2007 to 2021, this paper uses the difference between the total perquisites and the expected normal perquisites determined by economic factors to identify excessive perquisites. The Penman-Nissim framework is employed to measure corporate financialization and OLS regression analysis is performed. The

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empirical results show that the phenomenon of corporate financialization has a significant positive impact on excessive perquisites. Further research shows that such an impact is only evident during the period associated with established luxury culture excessive perquisites. This relationship can also be influenced by the skills and professional experience of managers, the level of corporate cash holdings, and investment income. This paper confirms the effect of luxury culture on firms' financial behaviour and identifies new factors influencing excessive perquisites.

Keywords: luxury culture, corporate financialization; excessive perquisites

JEL Classification: G30, G34

1. INTRODUCTION

Employees in the financial industry have always been the focus of social and media attention, not only because of the high salaries they receive, but also their luxurious lifestyles (Yang & Li, 2008; Li, 2019). According to the official media of Shandong Province, Cai Guohua, Chairman of HENGFENG Bank, uses on average 0.4 million yuan per day as perquisites. Usually, there are significant differences between employee income in financial and non-financial industry (Song et al., 2013; Zhou et al., 2013), and the relationship between them may not be strong enough to spread the luxurious lifestyle. However, recently a special economic phenomenon has spread among non-financial firms, which makes them adopt the characteristics of financial firms and strengthens the relationship between them. This phenomenon is corporate financialization.

From a macro perspective, financialization implies a continuous increase in the scale, status, and influence of the financial sector in the national economic system, and a continuous increase in the share of profits from financial activities in GDP (Epstein, 2006; Krippner, 2005). From a micro perspective, it reflects the fact that companies pay more attention to financial investment and underestimate productive investment, which leads to obtaining higher profits through financial channels researchers (Cai & Ren, 2014; Olah et al. 2021). Corporate financialization means that the firm is running financial business, which results in more similarities and closer relationship with other financial companies (Jurgelevicius & Tvaronaviciene, 2021). That makes the spread of luxury culture possible. Recently, there has been an evident financialization trend among Chinese companies. According to the research by Wang et al. (2017), the share of companies listed in China that invest their financial assets shows a rapid growth trend. For example, from 2014 to 2015, the number of listed companies investing in wealth management products increased from 412 to 550. However, the issue of whether corporate financialization accelerates the spread of luxury culture has not been sufficiently addressed in the literature.

Perquisites are non-monetary rewards managers receive from the companies. They include own luxurious offices, comfortable transportation, free dinners, and free-time activities. Under ideal conditions, perquisites can meet the normal business needs of companies and represent incentives for managers. However, due to agency problems, perquisites in some Chinese companies have exceeded the normal level and became excessive perquisites (Chen et al., 2005). Excessive perquisites have become a means for managers to satisfy their own interests, increased the agency cost, and reduced the companies' performance (Vochozka et al., 2020, Geng & Wang, 2016). In China, extremely excessive perquisites are regarded as a form of invisible corruption (Xu & Liu, 2013). Besides, the salaries managers receive in Chinese listed companies are strictly restricted by the government and media. In 2009, Chinese government introduced a strict salary limit policy to restrict managers' salaries in SOEs. Considering the economic nature of perquisites, cash salary limit, and the attitudes towards excessive perquisites, the authors of this paper believe excessive perquisites can properly reflect the luxurious lifestyle of managers.

The structure of the paper is as follows: Introduction; Section 2 reviews the relevant literature; Section 3 specifies the methodology; Section 4 discusses the main empirical results; Section 5 reports the further research empirical results; Section 6 is the conclusion.

2. LITERATURE REVIEW

Financialization

Starting from the meaning of financialization, researchers in-depth research on the economic consequences has been conducted. According to its results, most researchers are critical of it. For example, it researchers has been confirmed that financialization reduces the growth rate of the real economy, increases economic volatility and recession (Vochozka et al., 2022, Palley, 2008), and increases the probability of a financial crisis (Stockhammer & Grafl, 2010; Bhaduri, 2011). Financialization can even cause more serious social problems, including widening the social income gap (Luo & Zhu, 2014), and higher unemployment (González & Sala, 2014). Besides, corporate financialization inhibits corporate innovations (Xie et al., 2014; Wang et al., 2017; Duan & Zhuang, 2021), harms the company's future main business performance (Du et al., 2017; Xie & Kuang, 2020), and reduces corporate investment in the real economy and the stability of the capital market (Shu et al., 2018; Peng et al., 2018). In addition, financialization can even spread among non-financial companies (Li et al., 2019; Wang & Cao, 2020), and cause the national economy to lose its vitality (Zhuo & Miao, 2020). In this regard, Ortiz (2014) made an extreme evaluation of financialization. Based on the model of development and economic consequences of financialization, the author compares the effects of financialization on the economy to the effects of AIDS on the human body. The shift from real production to financial markets has largely reduced the development prospects of other economic sectors.

Perquisites

Regarding the mechanism of perquisites, although some researchers believe that perquisites should not be considered merely as the agency cost of companies. They believe perquisites can also act as an incentive for managers and improve corporate performance and future asset returns (Rajan & Wulf, 2006; Adithipyangkul et al., 2011). However, empirical evidence mostly confirms that perquisites is a kind of agency cost of companies that affect companies' value. For example, Yermack (2006) finds that the stock market showed a significant negative reaction to the CEO owning a private jet; Luo & Huang (2008), Feng & Zhao (2012) find that perquisites significantly reduced corporate performance; according to Xu et al. (2014), to continuously enjoy the perquisites given by the company, managers would actively hide negative corporate information; Geng & Wang (2016) argue that perquisites reduce the pay-performance sensitivity.

As for the factors affecting perquisites, researchers also study perquisites as the agency cost of companies. Many of them confirm that good corporate governance mechanisms can significantly hinder the perquisites-related behaviour of managers. These corporate governance mechanisms include traditional ones such as shareholder oversight, media oversight, and internal control (Luo et al., 2011; Geng & Wang, 2016; Mou et al., 2016), as well as corporate governance mechanisms with government participation, such as participation in disciplinary committee, government auditing, and anti-corruption behaviour (Chen et al., 2014; Chu & Fang, 2016; Xue, et al., 2017). Due to relatively weak governance mechanisms, prospectors have higher excessive perquisites (Wang et al., 2019). At the same time, the personality of a manager also has a significant impact on perquisites. Managers with greater power have significantly more perquisites, while managers with stronger capabilities have significantly fewer perquisites (Quan et al., 2010; Zhang & Sha, 2014).

Review of existing literatures

Based on the review of the existing literature, the authors of this paper conclude that, firstly, in view of the economic consequences of financialization, current researchers mainly conduct research from the macro view, and pay relatively less attention to the phenomenon of financialization phenomenon within companies, and they ignore the impact of corporate financialization on corporate governance (Stefko et al. 2022). Companies are the main actors in economic activities, and the agency costs have a significant impact on corporate value. The analysis of corporate financialization effects on excessive perquisites enables deepening the understanding of the economic consequences of corporate financialization (Tkacova et al. 2017). Secondly, in view of the factors that influence perquisites, current researchers mainly focus on the inhibitory effect of corporate governance mechanism on perquisites, ignoring the influence of social culture on perquisites. Social culture is a key factor that influence companies' behaviours. Seeing financialization as an opportunity to spread luxury culture. Research on impacts of corporate financialization on excessive perquisites enables deepening the understanding of managers' perquisites behaviours.

3. METHODOLOGY

Theoretical analysis and formulation of hypothesis

In the context of separating ownership and control in modern companies, there is obvious information asymmetry and inconsistent interests between shareholders and managers, which leads to the motivation and ability of managers to use corporate resources to satisfy private interests, which creates agency costs and negatively affects the company value (Jensen & Meckling, 1976). The authors of this paper believe that when companies are financialized, they have more similarities and closer relationship with financial companies, which results in better skills and motivation of managers to use corporate resources for personal consumption and pursue luxurious lifestyles, which means more excessive perquisites.

When a company is financialized, managers may have stronger motivation to overindulge excessive perquisites. First, when a company is financialized, it means it will invest more in financial assets and carry out more financial operations. Financialized companies´ managers need to maintain close relationships with financial executives to gain information advantage. As this paper points out, employees in financial industry usually enjoy a luxurious lifestyle. The value of luxury consumption lies in the fact that by purchasing and using luxury goods, people can achieve the purpose of showing off, gaining respect, satisfying the need for success, and demonstrating wealth status and unique personality (Tian & Feng, 2012). In China, people consider luxury consumption as a symbol of status and success. From this point, luxury consumption performs the communication function among people and may be useful for the communication between financialization companies' managers and financial executives (Tian & Feng, 2012). Besides, luxury consumption in China shows blind obedience, people like conformity and comparison (Tian & Feng, 2012). Managers may only want to enjoy a luxurious lifestyle because the financial executives do so.

Second, financialization can make managers regard themselves as financial employees. Salary is the key to whether employees are satisfied with their work (Pekerşen & Tugay, 2020) The results of experimental economics research confirm that individuals generally infer whether their income is or is not fair by comparing their income with the income of others (Gächter & Fehr, 2002). When managers assess their own compensation, there is evident psychology of comparison (Luo et al., 2016). Executives in financial institutions usually have higher income, but in China's non-financial listed companies, excessive cash salary may cause dissatisfaction in society (Na, 2009; Yang & Zhao, 2012); therefore, managers of listed financialized companies may earn lower salary than expected. When a manager's cash salary expectation is not satisfied, managers may have stronger motivations to use corporate resources (Zhang & Guan, 2016), and perquisite is a reasonable choice. First, perquisites represent a non-monetary salary, which can bring direct benefits to managers (Zhang & Sha, 2014). Second, perquisites can meet the needs of business operations and incomplete managerial compensation contracts, it has a certain degree of rationality (Chen et al., 2005), and the moral burden of perquisites-related behaviour of managers is relatively smaller.

When a company is financialized, managers may also be more likely to use excessive perquisites.

First, compared to fixed assets, financial assets have stronger liquidity (Peng et al., 2018), and existing research suggests that in comparison with fixed assets, liquid assets are easier to be managed to satisfy private interests (Myers & Rajan, 1998). Therefore, the higher the level of company financialization, the more assets within the company that can be used to satisfy the manager's private interests, and the manager has more opportunities to use excessive perquisites.

Second, according to the existing literature, the higher the level of corporate financialization, the more serious the problem of corporate information asymmetry is (Peng et al., 2018). Since the financial asset investment behaviour itself is relatively complex, it requires specialized knowledge and skills. In long-term business processes, shareholders have accumulated much experience and knowledge of the company's traditional business, but they may not have a deep understanding of finance and financial investment behaviour. When listed companies invest many resources in financial assets, the problem of information asymmetry between managers and shareholders may become more serious. As hidden compensation, perquisites depend on the companies' information asymmetry problem. Severe information asymmetry can provide effective cover for managers' perquisites behaviour (Liao & Liu, 2016). Grinstein et al. (2017) found that when the SEC required U.S. listed companies to strengthen disclosure of information on managers' perquisites behaviour, the scale of managers' perquisites declined significantly. Therefore, the higher the level of corporate financialization, the more serious the problem of corporate information asymmetry, and the greater the ability of managers to use excessive perquisites.

Based on the above analysis, CRRA (Coefficient of Relative Risk Aversion) is used to describe the manager's personal utility, which could demonstrate the potential relationship between the corporate financialization and manager's excessive perquisites.

Business managers are the key to the company's production and operation, and they should receive basic salaries such as normal wages, bonuses, stock options etc. for their managerial skills and work commitment. However, as rational economists, managers always expect to maximize their utility, they will thus use their power to obtain excessive perquisites beyond the normal salary. In doing so, the excess excessive perquisites can be seen as using company funds to buy luxury cars, have luxury offices, reimbursing high travel expenses etc. Corporate manager's excessive perquisites utility is $U(\alpha,\gamma)$, where α means the ratio of company financial assets to total assets and γ means investment return brought by financial assets to the company, Assuming δ is the share of excessive perquisites corporate managers obtain from financial asset investment return. C expresses excessive perquisites of corporate manager from financial asset investment activities, which can be expressed as $C=\alpha TA\gamma\delta$, where TA means total asset of the corporate and α、TA、γ、$\delta > 0$. Because the corporate law stipulates thatmanagers must accept the strict supervision by supervisors (board of supervisors, shareholders, Securities Regulatory Commission, auditors, etc.), and their excessive perquisites will be condemned or punished once detected. Therefore, managers are risk averse, and they need to avoid risks subjectively. The CRRA (Coefficient of Relative Risk Aversion) is used to describe the manager's personal utility, specifically a utility function of manager's excessive perquisites as follows:

$$U(\alpha,\ \gamma)=\frac{C^{1-\theta}-1}{1-\theta}=\frac{(\alpha TA\gamma\delta)^{1-\theta}-1}{1-\theta}\text{, with } \theta>0\wedge\theta\neq1$$

Now taking the derivatives from both ends of the above formula, the modified formula can be obtained.

$$\frac{\partial U}{\partial\alpha}=(\alpha TA\gamma\delta)^{-\theta}\,TA\gamma\delta=\frac{(TA\cdot\gamma\delta)^{1-\theta}}{\alpha^{\theta}}>0$$

Because $0<\alpha<1$ and $\theta>0\wedge\theta\neq1$. When α is increasing, $\partial U/\partial\alpha$ is greater. This mathematical relationship can be described as the more financial assets a company invests in, the greater the utility of excessive perquisites for managers. Although the main concern of this paper is the excessive perquisites, what usually needs to be studied in economics is not about the volume of excessive perquisites as such, but the utility that it turns into. The above analysis can provide deeper explanation of the main subject of this paper. Furthermore, the volume of excessive perquisites (C) is positively correlated with the ratio of company financial assets to total assets (α), which can be easily found that $\partial C/\partial\alpha=TA\gamma\delta>0$. In summary, at the mathematical level, the corporate financialization may increase the excessive perquisites.

Based on the above analysis, the authors of the paper believe that if there are differences in the level of corporate financialization, there may be significant differences in excessive perquisites behaviour. Accordingly, hypothesis 1 is formulated as follows:

Hypothesis 1: The higher the level of corporate financialization, the more serious the excessive perquisites of managers.

The sample and data

The research sample consists of A-share listed companies from 2007 to 2021. Financial companies and companies with insufficient financial data to obtain control variables are excluded from the sample, as well as industries/years with fewer than 10 companies. Within this research, 36743 observations for each year within the period 2007 to 2021 were obtained with the necessary data to perform the analysis. The data were obtained from the CSMAR database and WIND database. To mitigate the effects of outliers, this paper winsorizes continuous variables at the 1% significance level in both tails.

Measuring corporate financialization

Referring to the study by Wang et al. (2017), corporate financial assets are divided by total assets to measure the level of corporate financialization. Financial assets are divided into four classes: Financial Assets Held for Trading, Investment Real Estates, Long-Term Financial Equity Investments, and Entrusted Financial and Trust Products. Considering the impact of the revision of Financial Instruments Standard in 2018 and 2019, adjusted measurements after 2018 are used. Financial Assets Held for Trading include financial assets held for trading, derivative financial assets, short-term investment, available-for-sale financial assets, held-to-maturity investment, long-term liability investment, debt investments (after 2018), other debt investments (after 2019), investments in other equity instruments (after 2019); Investment Real Estate use the net value of investment real estate indicated in the balance sheet. Wang et al. (2017) argue that due to the market reform, real estate has become an important investment product with the typical characteristics of financial assets. Therefore, it is defined as a special financial asset. Long-Term Financial Equity Investment refers to the stocks of financial institutions held by non-financial companies (Song et al., 2015). The specific data are obtained from the detailed data of long-term equity investment. Entrusted Financial and Trust Products include entrusted loans, financial products, and trust products. The specific data are obtained from the detailed data of other current assets.

Measuring excessive perquisites

This paper refers to the methods of Luo et al. (2011) and Quan et al. (2010), using the difference between the total perquisites and the expected normal perquisites determined by economic factors to indicate excessive perquisites. The specific calculation formula is as follows:

$$\frac{Perk_t}{Asset_{t-1}} = \beta_0 + \beta_1 \frac{1}{Asset_{t-1}} + \beta_2 \frac{\Delta Sale_t}{Asset_{t-1}} + \beta_3 \frac{PPE_t}{Asset_{t-1}} + \beta_4 \frac{Inventory_t}{Asset_{t-1}} + \beta_5 LnEmployee_t + \varepsilon \quad (1)$$

In formula (1), Perkt represents corporate total perquisites. For the purposes of this paper, general and administrative expenses are used to deduct the salaries of directors, executives, supervisors, and amortization of intangible assets, which are obviously not included in perquisites. The remaining amounts represent corporate total perquisites. Asset t-1 is the total assets of the company in the preceding period, ΔSalet represents the change in sales of main operations, PPE_t represents the net value of fixed assets in the current period, $Inventory_t$ is the inventory of the current period, and $LnEmployee_t$ is the natural logarithm of the number of employees. Subsequently, regression analysis is conducted on the sample by year and industry, and the predicted value of the dependent variable obtained from the regression represents the scale of normal perquisites. Excessive perquisites (Abperk) are the difference between total perquisites and normal perquisites.

Measuring other variables

Based on the literary research, relevant control variables in the model are selected from two aspects: companies' basic characteristics and corporate governance characteristics (Luo et al., 2011; Xue et al., 2017). In addition, this paper controls year and industry fixed effects. The specific definitions are shown in Table 1.

Table1

Variable definitions

Variables	Descriptions
Perk	The amount of the corporate total perquisites
Perk/Asset	The ratio of total perquisites to total assets
Abperk	Excessive perquisites, measured by actual perk consumption minus expected perk consumption, i.e., the residuals of Eq. (1)
Finance	The ratio of financial assets to assets. The financial assets include financial assets held for trading, investment real estates, long-term financial equity investments, and entrusted financial and trust products.
Size	The natural logarithm of the book value of total assets
Lev	The ratio of total liabilities to total assets
Roa	Firm profitability, calculated as net income divided by total assets.
Cash	The ratio of cash to total assets
First	Percentage of equity ownership held by the largest shareholder
Institution	Percentage of equity ownership held by institutions
Meeting	Number of board meeting

Research design

To test Hypothesis 1, this paper refers to previous studies to establish a model (2) (Quan et al., 2010; Luo et al., 2011). If Hypothesis 1 is valid, β1 should be significantly positive.

$$Abperk_{i,t} = \beta_0 + \beta_1 Finance_{i,t} + \beta_2 Size_{i,t} + \beta_3 Lev_{i,t} + \beta_4 Roa_{i,t} + \beta_5 Cash_{i,t} + \beta_6 First_{i,t} + \beta_7 Institution_{i,t} + \beta_8\, Meeting_{i,t} + Industry + Year + \varepsilon \quad (2)$$

Descriptive statistics

Table 2 shows the summary statistics of the variables of interest. In terms of Abperk, the average (median) is about 0.000 (-0.003), which indicates that the actual perquisites in most companies are below their expected level, with a standard deviation of 0.026, indicating that there are significant differences in excessive perquisites among different companies. In terms of Finance, the average is 0.063, the median is 0.018, and the standard deviation is 0.102, indicating that there are significant differences in the level of financialization among different companies.

Table 2

Descriptive statistics

Variables	Obs.	Mean	Median	Std. dev.	Min	Max
Abperk	36743	0.000	-0.003	0.026	-0.066	0.100
Finance	36743	0.063	0.018	0.102	0.000	0.554
Size	36743	22.119	21.948	1.339	19.218	27.121
Lev	36743	0.453	0.445	0.218	0.053	1.058
Roa	36743	0.031	0.034	0.076	-0.369	0.215
Cash	36743	0.175	0.141	0.130	0.000	1.000
First	36743	34.211	31.920	14.910	8.410	75.010
Institution	36743	44.566	46.297	23.945	0.358	93.047
Meeting	36743	9.731	9.000	3.792	4.000	23.000

4. EMPIRICAL RESULTS

Table 3 shows the regression results of model (2). To avoid potential cross-sectional dependence in the data, this paper reports t-values based on robust standard errors clustered by firms. In Columns (1), the coefficient of corporate financialization (Finance) is significantly positive at the 10% level. The findings confirm H1, that is, corporate financialization leads to higher excessive perquisites.

A more detailed analysis is focused on the impact of different financial assets on excessive perquisites. As mentioned in Section 3, corporation financialization is divided into four parts (Financial Assets Held for Trading (Finance_Trade), Investment Real Estates (Finance_Estate), Long-Term Financial Equity Investments (Financ_Equity), and Entrusted Financial and Trust Products (Finance_Entrust) by total assets. Other variables correspond with the model (2). The results are shown in Table 4. In Columns (1)-(3), the coefficients of Finance_Trade, Finance_Estate and Finance_Entrust are significantly positive at 5 % or 10 % significance level. However, in Columns (4), the coefficient of Financ_Equity is -0.006, which is not statistically significant. The above results show that the role of corporate financialization in promoting excessive perquisites is mainly due to the Financial Assets Held for Trading, Investment Real Estates, and Entrusted Financial and Trust Products.

Table 3

Corporate financialization and excessive perquisites

	(1)
Finance	0.005*
	(1.73)
Size	-0.004***
	(-12.76)
Lev	0.003**
	(1.97)
Roa	0.011***
	(3.12)
Cash	0.023***
	(9.10)
Firstsh	-0.000
	(-1.40)
Institution	0.000***
	(4.03)
Meeting	0.000***
	(4.03)
Constant	0.072***
	(11.37)
Industry	YES
Year	YES
N	36,743
R2_Adjusted	0.042
F	10.45

Source: Authors' results. * indicates significance level of 0.10, ** indicates significance level of 0.05, *** indicates significance level of 0.01. The same applies to the following tables.

Table 4

Different financial assets

	(1)	(2)	(3)	(4)
Finance_Trade	0.009*			
	(1.77)			
Finance_Estate		0.014*		
		(1.79)		
Finance_Entrust			0.011**	
			(2.28)	
Financ_Equity				-0.006
				(-0.36)
Constant	0.073***	0.072***	0.072***	0.073***
	(11.48)	(11.40)	(11.37)	(11.48)
Control Variables	YES	YES	YES	YES
Industry	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	36,743	36,743	36,743	36,743
R2_Adjusted	0.042	0.042	0.042	0.041

Source: Authors' results.

To mitigate the impact of endogenous problems on the conclusions, industry-year average corporate financialization (IndFinance) is used as instrumental variable and a 2SLS estimation is performed. After checking possible endogeneity, corporate financialization continues to be positively correlated with excessive perquisites. To make the conclusions of this study more robust, this research also conducts additional robustness tests on the empirical results, including corporate fixed effects, replacement of corporate financialization measurement, special treatment of real estate companies, and double cluster analysis. The empirical results of the robustness tests show that the conclusions of this article are robust, and that corporate financialization significantly increases the excessive perquisites. However, due to limited extent of this paper, the empirical results of the robustness test are not presented in full.. Readers interested in the results can contact the corresponding author for detailed robustness test results.

5. FURTHER ANALYSES

Effects of luxury culture

Culture has a significant impact on organizational behaviour and business environment (Bencsik et al., 2018; Čepel, 2019; Uslu et al., 2020). As this paper points out, corporate financialization represent opportunities for the spread of luxury culture within financial industry. But the spread of luxury culture within financial industry is not separated from social culture. This paper compares the growth rate of luxury goods with GDP and Per Capita Disposable Income of Urban Households to measure the luxury culture in society. People usually regard luxury goods as products with unique and rare characteristics that exceed the scope of people's needs for survival and development. Luxury consumption is essentially a high-end consumer culture. According to the authors of the paper submitted, the growth rates of luxury goods consumption can reflect the changes in luxury culture. The luxury consumption years include 2009-2011, and 2017-2020. The structure of luxury culture is presented in detail in Appendix A. The other years are non-luxurious years. To avoid possible multicollinearity problems, interaction variables are not included. Instead, the research sample is divided into two groups and regression analysis of model (2) is performed again. The results are presented in Table 5. Column (1) shows that during the luxurious years, the coefficient of Finance is 0.004, which is significant at the 10% significance level; Column (2) shows that during the non-luxurious years, the coefficient of Finance is 0.007, which is not statistically significant. These results suggest that only during the period with serious luxury culture, the corporate financialization has a significant impact on excessive perquisites.

On 8 November 2012, the 18th National Congress of the Communist Party of China was held, where Eight Central Regulations were introduced to reduce in state administration and SOEs. That means that the regression results reported in Column (1) and Column (2) in Table 5 may be due to the central government anti-corruption measures. To avoid this, the years 2011 and 2012 are selected as samples which are not affected by Eight Central Regulations. The year 2011 is an example of luxurious years, while the year 2012 is a representative of non-luxurious years. Subsequently, regression analysis of model (2) is performed again. The results are shown in Table 5. Column (3) shows that during 2011, the coefficient of Finance is 0.054, which is significant at the 1% significance level; Column (4) shows that during 2012, the coefficient of Finance is 0.004, which is not statistically significant. These results suggest that after eliminating the concerns of Eight Central Regulations effects, the luxury culture significantly affect the relationship between corporation financialization and excessive perquisites.

Table 5

Effects of luxury culture

	(1)	(2)	(3)	(4)
	2009-2011,2017-2020	2012-2016	2011	2012
Finance	0.004*	0.007	0.054***	0.004
	(1.67)	(1.39)	(5.41)	(0.59)
Control Variables	YES	YES	YES	YES
Industry	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	18,056	12,251	2,003	2,255
R2_Adjusted	0.047	0.045	0.132	0.038

Source: Authors' results.

Effects of managers' professional experience

According to the Upper Echelons Theory (Hambrick & Mason, 1984), the behaviour of managers is largely determined by their background, such as gender and education (Thareja et al., 2020; Krisnaresanti et al., 2020; Suroso et al., 2020). Furthermore, with different professional background, managers' behaviour differs significantly (Jiang & Huang, 2013; Jiang et al., 2016). According to the author, when managers have professional experience in financial industry, they have better understanding of financial assets, and in the process of corporate financialization, they also have a greater information advantage, which further enhances the manager's ability to use excessive perquisites. Based on the above analysis, regression model (3) is created. In model (3), Financeback represents the number of officers with financial professional experience in the management team. The information on managers' professional experience are obtained from the CSMAR database. Table 6 presents the regression results of model (3). The column (1) shows that the coefficient of the interaction variables (Finance * Financeback) is 0.007, which is significant at the level of 5%, suggesting that the positive relationship between corporate financialization and excessive perquisites is stronger when there are more officers with financial professional experience.

$$\begin{aligned} Abperk_{i,t} = {} & \beta_0 + \beta_1 Finance_{i,t} + \beta_2 Finance_{i,t} * Financeback_{i,t} + \beta_3 Financeback_{i,t} + \beta_4 Size_{i,t} \\ & + \beta_5 Lev_{i,t} + \beta_6 Roa_{i,t} + \beta_7 Cash_{i,t} + \beta_8 First_{i,t} + \beta_9 Board_{i,t} + \beta_{10} Meeting_{i,t} \\ & + \beta_{11} Indep_{i,t} + \beta_{12} Institution_{i,t} + Industry + Year + \varepsilon \end{aligned} \tag{3}$$

Table 6

Effects of managers' professional experience

	(1)	(2)
Finance	-0.003 (-0.73)	0.006* (1.88)
Finance*Financeback	0.007** (2.04)	
Financeback	-0.001*** (-2.83)	-0.000 (-0.91)
Control Variables	Yes	Yes
Industry	Yes	Yes
Year	Yes	Yes
N	31,756	31,756
R^2_Adjusted	0.045	0.044

Source: Authors' results.

Besides, as seen from the table the coefficient of the Financeback reported in column(1) is -0.001, which is significant at the 1% significance level. But according to the previous analyses, managers with professional experience in the financial industry are likely to be affected by luxury culture and have better understanding of financial assets. That means the experience in finance should not be negatively associated with excessive perquisites. To better understand the impact of existing experience in finance on excessive perquisites, the interaction variables (Finance * Financeback) are excluded from model (3) and regression analysis is performed again. The reslts are presented in Table 6. The column (2) shows that the coefficient of the Financeback is -0.000 and is not statistically significant. With regard to the results of the first regression presented in Table 6, it can be stated that work experience in finance has no effect on excessive perquisites, but it can strengthen the positive relationship between corporate financialization and excessive perquisites.

Effects of managers' skills, cash holding and investment income

Researchers believe that, firstly, managers with excellent skills can get more reasonable salary in the manager market and be less dependent on perquisites. Secondly, managers with excellent skills pay more attention to their own professional reputation in order to protect their long-term interests in the future, and to avoid perquisites and other behaviours that may harm their professional reputation (Zhang & Sha, 2014). Those make managers with better skills pay less attention to perquisites in the process of corporate financialization, and reduce the motivation for excessive perquisites, thereby inhibiting managers' excessive perquisites. According to the principal-agent theory, cash is a resource that is easily misused by managers. When companies hold more cash, managers tend to use more perquisites (Jensen, 1986). Therefore, when companies hold more cash in the process of corporate financialization, the share of corporate current assets and the resources available for managers to be misused will further increase, and managers will tend more to consume excessive perquisites. Furthermore, some researchers also believe that perquisites are an implicit incentive (Rajan & Wulf, 2006). If the excessive perquisites are a reward given to the manager when the company holds financial assets, the positive relationship between corporation financialization and excessive perquisites is stronger when investments in financial products bring more profits.

Based on the above analysis, from the perspective of manager's skills, cash holding and investment income, this paper examines whether managers' motivation and preference of perquisites affect the relationship between corporate financialization and excessive perquisites, and whether the excessive perquisites are an implicit incentive when a company holds financial assets. Therefore, model (4) is created.

$$\begin{aligned} Abperk_{i,t} &= \beta_0 + \beta_1 Finance_{i,t} + \beta_2 Finance_{i,t} * IC_{i,t} + \beta_3 IC_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 Roa_{i,t} \\ &+ \beta_7 Cash_{i,t} + \beta_8 First_{i,t} + \beta_9 Board_{i,t} + \beta_{10} Meeting_{i,t} + \beta_{11} Indep_{i,t} + \beta_{12} Institution_{i,t} \\ &+ Industry + Year + \varepsilon \end{aligned} \tag{4}$$

In model (4), IC represents managerial skills, cash holding or investment income in different regression analyses. Managerial ability is specified in detail in Appendix B. The structure of cash holding is the same as control variable in Table 1. Referring to the study of Wang et al. (2017), investment income is divided by operating revenue as the measurement of investment income. Table 7 shows the regression results of the model (4). The column (1) shows that when IC represents manager's skills, the coefficient of the interaction variables is -0.122, which is significant at the 5% significance level. The column (2) shows that when IC represents cash holding, the coefficient of the interaction variables is 0.041, which is significant at the 10% significance level. These results suggest that the positive relationship between corporate financialization and excessive perquisites is weaker when managers have better skills, and it is stronger when the company holds more cash. The column (3) shows that when IC represents investment income, the coefficient of the interaction variables is -0.036, which is significant at the 1% significance level, suggesting that the positive relationship between corporate financialization and excessive perquisites is stronger when the profitability of financial asset investment is low. This result confirms that excessive perquisites in the process of corporate financialization is the agency cost of companies rather than the implicit incentives given to managers.

Table 7

Effects of managers' skills, cash holding and investment income

	(1) **Manager's skills**	(2) **Cash holding**	(3) **Investment income**
Finance	0.011**	-0.001	0.007**
	(2.19)	(-0.16)	(2.14)
Finance *IC	-0.122**	0.041*	-0.036***
	(-2.09)	(1.71)	(-3.27)
IC	0.009*	0.020***	0.006**
	(1.78)	(7.48)	(2.07)
Control Variables	Yes	Yes	Yes
Industry	Yes	Yes	Yes
Year	Yes	Yes	Yes
N	19,662	36,743	35,950
R^2_Adjusted	0.060	0.041	0.043

Source: Authors' results.

The contributions of this article are mainly reflected in the following three points:

First, from the perspective of financialization, this paper studies the relationship between luxury culture and managers' self-interest behaviours, enriching the relevant research in the field of culture and financial behaviours. Culture is not only an integral part of human life, but it also creates the potential for economic activities (Ardielli, 2017). Researchers have confirmed that culture has significant impacts on financial behaviours (Hong & Kacperczyk, 2009; Guiso et al., 2015; Pacelli, 2019; Boubakri et al., 2021), but few studies focus on the relationship between financial industry luxury culture and non-financial managers' behaviours. The paper deals with corporate financialization as an opportunity to spread luxury culture, enriching the relevant research on culture and financial behaviours.

Second, this paper enriches the relevant research in the field of corporate financialization. Regarding the economic consequences of corporate financialization, researchers have already obtained certain results (Wang et al., 2017; Shu et al., 2018; Peng et al., 2018), but there are few studies focusing on the impact of corporate financialization on corporate governance. This paper focuses on the impact of corporate financialization on the self-interested behaviour of managers and confirms that the higher the level of corporate financialization, the more serious the excessive perquisites, which enriches the research on the economic consequences of corporate financialization.

Third, this paper enriches the relevant research on the factors affecting excessive perquisites. Regarding the factors influencing excessive perquisites, researchers mainly focus on the characteristics of corporate governance and study whether good corporate governance mechanisms can restrain managers' excessive perquisites scale (Luo et al., 2011; Geng & Wang, 2016). This paper focuses on the perspective of the spread of luxury culture and studies the impact of corporate financialization on excessive perquisites.

6. CONCLUSION

From the perspective of corporate financialization, this paper studies the spread of the luxury culture of the financial industry in non-financial companies. The authors believe that through building a close relationship with financial industry, financialization provides opportunities for the spread of luxury culture, and unreasonable perquisites (excessive perquisites) reflect the luxury consumptions of managers. The authors find that corporate financialization has significantly increased the excessive perquisites behaviours and confirm that the social luxury culture has a significant impact on this relationship. Only during the period with serious social luxury culture, the corporate financialization has significant impact on excessive perquisites. Furthermore, managers' professional experience, skills, level of cash held by the company and investment return also significantly affect the relationship between corporate financialization and excessive perquisites.

Our research not only enrich literatures on the economic consequences of corporate financialization, but also provide a new perspective on the influencing factors of excessive perquisites. The paper deals with corporate financialization as an opportunity for the spread of the luxury culture of the financial industry in non-financial companies and study how the luxury culture influences managerial self-interest behaviours, finding the influences of luxury culture on excessive perquisites, which also enrich the existing literature on the culture and corporate finance. The study can also help shareholders to understand the negative effects of corporate financialization and take measures to curb managerial self-interest.

However, the research still has some limitations. It compares the growth rate of luxury goods with GDP and Per Capita Disposable Income of Urban Households to measure the luxury culture in society and uses the regression model to estimate excessive perquisites. There might be some errors in the measurements. Therefore, the method for measuring directly the spread of luxury culture and excessive perquisites is a future research direction. Besides, managers' professional experience is used to study the impacts of financial industry, but the luxury culture may change in different financial institutions. Therefore, another future research direction is how to directly measure the luxury culture in financial institutions.

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APPENDIX

APPENDIX A: MEASUREMENT OF LUXURY CULTURE

This paper selects the luxury goods consumption in Mainland China from the LUXURY MARKET MONITOR of BAIN & COMPANY. The data in Table A were downloaded from the Statistics Bureau website. In the paper, luxurious years are defined as the years when luxury goods consumption grows faster than GDP and Per Capita Disposable Income of Urban Households. The luxurious years include 2009, 2010 and 2011. The other years are non-luxurious years.

Table A

Effects of luxury culture

Year	Luxury Consumption	Luxury Consumption Growth Rate	GDP Growth Rate	Per Capita Disposable Income of Urban Households	Income Growth Rate
2009	684	0.14	0.09	17174	0.09
2010	871	0.27	0.11	19109	0.11
2011	1070	0.23	0.10	21809	0.14
2012	1140	0.07	0.08	24564	0.13
2013	1160	0.02	0.08	26955	0.10
2014	1140	-0.02	0.07	29381	0.09
2015	1130	-0.01	0.07	31790	0.08
2016	1170	0.04	0.07	33616	0.06
2017	1420	0.21	0.07	36396	0.07
2018	1700	0.20	0.07	39251	0.06
2019	2340	0.38	0.06	42359	0.05
2020	3460	0.48	0.08	43834	0.01

APPENDIX B: MEASUREMENT OF MANAGER'S ABILITY

Referring to the methods of Demerjian et al. (2012, 2013) and Zhang & Sha (2014), this paper uses data envelopment analysis (DEA) to estimate the efficiency of companies in the industry. The calculation formula is shown below (B1).

$$\max_v \theta = \frac{Sales}{v_1 COGS + v_2 SG\&A + v_3 PPE + v_4 Intangible + v_5 Goodwill + v_6 R\&D} \quad (B1)$$

In formula (B1), operating revenue (Sales) represents company output, operating costs (COGS), selling, general & administrative expenses (SG&A), property, plant, and equipment (PPE), intangible assets (Intangible), goodwill (Goodwill), and R&D investment (R&D) indicates the company's input. The calculated company efficiency ranges from 0 to 1. However, because the company's efficiency is not only affected by the manager's ability, but also by the company's characteristics. Therefore, to eliminate the influence of company characteristics on company efficiency, referring to the existing literature, this paper uses the Tobit regression model by industry to calculate the company's manager´s skills (Demerjian et al. ,2012, 2013; Zhang & Sha ,2014). The specific calculation formula is shown in model (B2).

$$Efficiency = \delta_0 + \delta_1 Size + \delta_2 MS + \delta_3 FCF + \delta_4 Age + \delta_5 BHHI + Year + \varepsilon \quad (B2)$$

In model (B2), Size represents the size of the company, MS represents market share, FCF represents free cash flow, Age represents the establishment period, BHHI represents business complexity, and Year controls the year fixed effect. The calculated regression residual is the manager's ability (Mability).