

-RESEARCH ARTICLE-

**RESEARCH ON THE CORRELATION IMPACT OF ENTERPRISE FINANCIALIZATION ON INNOVATION QUALITY-TAKING NEWLY LISTED ENTERPRISES AS AN EXAMPLE**

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**—Abstract—**

Financialization is the process by which financial markets, financial institutions, and financial executives exert a greater influence on economic policy and economic outcomes. Financialization modifies the functioning of both macroeconomic and microeconomic systems. Increasing access to financial services can stimulate economic

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development by facilitating businesses' access to credit, savings, and investment opportunities and creating additional jobs. The Chinese government has taken several measures to promote enterprise financialization and financial inclusion in the nation. The Chinese government has adopted an "inclusive finance" strategy to encourage enterprise financialization to make financial services more affordable and accessible to all citizens. This includes reducing costs, such as lowering transaction fees and interest rates and expanding access to financial services via online banking, mobile banking, and other digital technologies. This study investigates the relationship between enterprise innovation performance, financial inclusion, absorptive capacity, and innovation quality in a sample of Chinese firms. According to the results, enterprise innovation performance, financial inclusion, and absorptive capacity significantly positively influence innovation quality.

Additionally, absorptive capacity moderates the association between enterprise innovation performance and financial inclusion in innovation quality. The findings indicate that firms should increase their absorption capacity to enhance innovation quality. To improve innovation quality, businesses should prioritize improving enterprise innovation performance and financial inclusion. The findings of this study provide researchers and practitioners in the field of innovation management with valuable insights.

**Keywords:** Innovation Quality, Enterprise Innovation Performance, Enterprise Financialization, Financial Inclusion, Absorptive Capacity, China

## 1. INTRODUCTION

In recent years, the pursuit of innovation by Chinese enterprises has been characterized by "quantity over quality." According to official data, China has the second-highest R&D expenditures globally, behind the United States, and spends more than the average of the EU's 15 member states. China is the global champion in invention patent applications, authorizations, and R&D personnel (Duan et al., 2021a). Innovation has become a vital component of the contemporary economy, providing businesses with new perspectives and opportunities and the ability to remain competitive in the global marketplace. In recent years, the significance of innovation performance and enterprise financialization to innovation quality has been widely acknowledged (Izhar Baranes, 2017; Li, Li, & Albitar, 2021; Liu, Failler, & Ding, 2022; Xu & Xuan, 2021).

This paper aims to examine the relationship between enterprise innovation performance and financial inclusion, as well as how this relationship is moderated by absorptive capacity, better to comprehend these factors' impact on innovation quality. Innovation performance is a company's capacity to create, implement, and benefit from new ideas, products, and processes (Cohen & Levinthal, 1990). Examples of innovative tools, techniques, and materials include creating a new type of equipment, software, or application, implementing a new process or methodology, and incorporating new

material into a production line. Innovation may also refer to using a technology or material in a new or different fashion or applying a technique or instrument in a new industry or field (Chen, Yeh, & Madsen, 2019).

Demirgüç-Kunt et al. (2015) described the accessibility of financial institutions, the price of financial services, and the level of financial literacy. This study is also pertinent to absorptive capacity, which refers to an organization's ability to identify, comprehend, and exploit new information (Cohen & Levinthal, 1990). This includes acquiring external knowledge, building internal capabilities, and deploying resources to create and sustain innovations (Zhao, Seibert, & Hills, 2005). Prior research indicates that absorptive capacity plays a significant role in successfully developing and implementing innovations (Cohen & Levinthal, 1990). Organizations should foster a culture that rewards and encourages innovation, risk-taking, and experimentation.

Additionally, they should provide employees with support and resources to help them develop their ideas. In addition, businesses should cultivate an open and collaborative culture that encourages employee communication and collaboration. Innovation can take on a variety of manifestations. Innovation involves the introduction of new products and services, the creation of new processes, the application of new technologies, and the implementation of innovative ideas. Organizations must be able to innovate continuously to ensure their survival (Chen et al., 2019). Financial Inclusion is the degree to which individuals or enterprises have access to financial services such as credit, savings, and insurance (Demirgüç-Kunt et al., 2015). Organizations with a high absorption capacity can utilize external knowledge more effectively. China has emerged as a global manufacturing giant in the context of current market competition. High high-tech industries are swiftly developing in many emerging economies or advantages, allowing them to innovate and remain competitive (Duan et al., 2021b).

This study examines the relationship between enterprise innovation performance, Enterprise Financialization, Financial Inclusion, absorptive capacity, and innovation quality in Chinese firms. Innovation is crucial to the growth of modern businesses, and the quality of innovation has a direct correlation with business success. Therefore, it is essential to comprehend the variables that influence the innovation quality of Chinese businesses. This study will investigate the direct and indirect effects of enterprise innovation performance, Enterprise Financialization, Financial Inclusion, and absorptive capacity on innovation quality in Chinese firms, in addition to the moderating impact of absorptive capacity. The findings of this research will provide enterprise managers and policymakers with useful insights into the factors that influence innovation quality in Chinese businesses.

This study's First Section will provide an overview of the research topic and establish its purpose. It will consist of a concise overview of the research topic and a description of the research problem. The objectives of the research will be described. The second

section of this investigation will review the relevant literature. It will summarize the current knowledge and previous research on the topic. It will also identify literature gaps and suggest areas for future study. The research design and methodology will be described in the third section of this study. It will discuss the techniques used to collect and analyze data, such as sampling and data analysis techniques. It will also discuss any ethical considerations and the presentation and interpretation of the data. The fourth section will present the investigation findings. It will contain tables and figures illustrating the results. The fifth section will provide an analysis of the findings and their implications. It will analyze the research findings in light of the existing literature. It will also discuss any policy and practice implications. This chapter will summarize the findings and conclusions of the research. It will also advise areas for additional study. In addition, the study's limitations and their implications will be discussed.

## **2. RESEARCH OBJECTIVES**

- *To examine the impact of enterprise innovation performance on innovation quality technology with the moderating role of absorptive capacity.*
- *To examine the impact of Enterprise Financialization Financial Inclusion on innovation quality technology with the moderating role of absorptive capacity.*

### **2.1 Scope of the Study**

This study examines the effects of enterprise innovation performance and Enterprise Financialization Financial Inclusion on innovation quality in Chinese new enterprises, with the moderating effect of absorptive capacity. In particular, we will examine the moderating effect of absorptive capacity on the associations between enterprise innovation performance and Enterprise Financialization Financial Inclusion on innovation quality. By examining the moderating effect of absorptive capacity, we can better understand how absorptive capacity influences the relationship between enterprise innovation performance and Enterprise Financialization Financial Inclusion on innovation quality in Chinese new enterprises. In addition, this study will shed light on how businesses can utilize absorptive capacity to improve the quality of their innovation.

## **3. LITERATURE REVIEW**

This section will provide a literature review of the discussed critical variables. These variables are enterprise innovation performance, Enterprise Financialization, Financial Inclusion, and the moderating influence of absorptive capacity on innovation quality. Furthermore, hypothesized relationships are established based on the literature. There are several ramifications for the innovation quality position, emphasizing the necessity of innovation training and preparation for businesses and the rise in accountability. The research indicates that enterprise innovation performance, Enterprise Financialization, Financial Inclusion, and absorptive capacity are significant determinants of innovation

quality. This paper further investigates the impact of Enterprise financialization on innovation quality as moderated by absorptive capacity.

### 3.1 Innovation Quality

Innovation quality has been exhaustively studied in the academic literature. According to studies, innovation quality is significantly affected by product design, process design, and marketing. In addition, research has revealed that access to resources and capital, increased competition, and greater absorptive capacity can enhance innovation quality.

The innovation quality of newly listed Chinese companies focuses on corporate governance research. According to a study by Lee, Walker, and Zeng (2017), the innovation quality of newly listed Chinese companies is positively correlated with the ownership concentration of listed companies. They discovered that ownership concentration and the proportion of independent directors significantly impact the innovation quality of newly listed Chinese enterprises, highlighting the importance of corporate governance in promoting innovation quality in newly listed Chinese enterprises. This study sheds light on the relationship between corporate governance and the innovation quality of newly listed Chinese companies. Companies manufacturing high-tech products can only meet the rapidly expanding market demand in the high-tech sector, where technology is increasing. To effectively compete, they must continuously innovate, improve the quality of their innovations, and increase their market competitiveness. This is the practice of organizations supplementing their internal R&D efforts with external knowledge and ideas from customers, suppliers, or unrelated organizations. Open innovation enables organizations to access external resources and ideas from a wider variety of sources, making them more agile and responsive to opportunities and threats in their external environment (Gao, Gu, & Halepoto, 2022; Liu et al., 2021; Miao et al., 2022; Qi et al., 2021; Xiaoning, Lihua, & Lei, 2020). It is also more cost-effective than traditional in-house R&D because organizations can leverage external resources and ideas that may already exist instead of investing in R&D from scratch" (Duan et al., 2021a).

Accumulating quality can facilitate innovation. Prior research has suggested that innovation quality is an all-encompassing concept focusing solely on quality. Consequently, it is permissible to compare results to illustrate the overall innovation performance of each department within an organization. This strategy involves developing a potentially beneficial new product, method, or service while considering how to achieve the desired innovation results (Jin, Mai, & Cheung, 2022; Song & Wu, 2022; Tao, Chen, & Li, 2021; Zheng, Gao, & Ruan, 2019; Zhou et al., 2021). Numerous academicians have used this methodology to examine the fundamental concepts and connections between innovation and quality to study innovation quality (Duan et al., 2021b). Organizations must be innovative by persuading stakeholders to embrace innovations and fostering an environment conducive to creativity. Instead of being evolutionary, the demand for innovation is revolutionary, and it is essential for surviving

in complex, dynamic markets and an uncertain economic climate (Mafabi, Munene, & Ahiauzu, 2015).

### **3.2 Enterprise Innovation Performance**

Enterprise innovation performance quantifies a company's capacity to innovate. It measures the company's ability to create new products, services, and processes to compete in the market and enhance its overall performance. Culture, resources, strategy, and leadership can all impact a business's innovation performance, among other variables. Companies that can innovate successfully can obtain a competitive advantage in the market and increase their overall profitability (Barane & Hake, 2018; Liu, 2022; Shan & Duchi, 2019; Wang, 2022; Guanxia Xie et al., 2022). Implementing new technologies or administrative concepts is an example of an organization's innovation. It is believed that accepting a new idea within an organization will result in an organizational shift that could influence its performance, regardless of when the relevant population adopted it. Therefore, an idea is considered novel regarding the adopting organization, not its employees (Damanpour & Evan, 1984).

In addition, businesses in high-tech clusters have access to numerous resources, including venture capital, research institutes, and technology transfer centers. The prevalence of these resources can facilitate the rapid development and introduction of new products by businesses. Lastly, multiple companies in the same industry generate competition, which can spur innovation and assist businesses in developing superior products (Pan et al., 2019). Consistently confronted with the challenge of securing costly and difficult funding, private businesses incur substantial increases in operational expenses as a result. Due to credit discrimination, private businesses struggle with financing more than state-owned businesses (Wang, Cui, & Dong, 2023). A business should create an environment that rewards and encourages innovation to enhance its enterprise innovation performance. This involves instituting policies and procedures encouraging employees to think creatively and generate new ideas. It also involves providing adequate resources, such as funding for research and development, to ensure that new concepts can be tested and implemented (Liu et al., 2023; Salento, Masino, & Berdicchia, 2013; Wang, 2019; Wu, 2021; Zhang, Xie, & Li, 2023). Additionally, businesses should prioritize the development of an organizational culture that values innovation and promotes collaboration. Finally, businesses should develop a leadership structure that encourages innovation and risk-taking.

### **3.3 Enterprise Financialization Financial Inclusion**

In recent years, the financialization of businesses has been a hot topic in business and economic circles. Numerous academics have argued that the increased financialization of businesses has positively affected their innovation quality as a whole. This assertion is predicated on the notion that financialization is intrinsically linked to the availability of capital and resources required to invest in innovation and research and development

(R&D). As a result, financialization has been related to increased innovation and the quality of products and services produced by businesses. This paper examines the effect of enterprise financialization on innovation quality, using newly listed companies as an illustration.

Enterprise Financialization Financial Inclusion has become essential to the Chinese government's financial strategy. The Chinese government has taken measures to increase access to financial services, including developing rural banking networks and financial education programs (Varghese & Viswanathan, 2018). In addition, the government has taken measures to promote Enterprise Financialization and Financial Inclusion by establishing specialized microfinance institutions, expanding mobile banking access, and establishing a credit information system (Kim, 2016). This can be achieved by encouraging the development of financial products and services tailored to the needs of the underserved and by establishing incentives for those who provide financial assistance to the underserved (Huang, Li, & Chen, 2021; Ren et al., 2023; Xie, Du, & Wu, 2022).

Enterprise Financialization Financial Inclusion and enterprise financialization are closely linked. Financial Inclusion Financial Inclusion strives to ensure that all businesses have access to the financial products and services they require for success. In contrast, enterprise financialization aims to provide these products and services to small and medium-sized businesses. Both concepts are necessary for a robust and healthy economy because they enable businesses of all sizes to access the capital they need to develop and prosper. In recent years, Chinese businesses have emphasized Enterprise Financialization and Financial Inclusion more. This is evidenced by the increasing number of newly listed Chinese companies on international stock exchanges. These businesses are now adopting measures to ensure that all of their stakeholders, including underserved populations, have access to the necessary capital and financial services.

### **3.4 Absorptive Capacity**

In recent years, the absorptive capacity of Chinese businesses has increased at an accelerated rate. This results from increased investments in research and development and implementing technologies such as artificial intelligence and machine learning. Following the inquiry, the company's capacity to incorporate new technological information is insufficient. This is essential for a high-tech manufacturing company to cultivate innovation quality and capability (Duan et al., 2021a). A company must be able to acquire knowledge from external sources and incorporate it into its internal knowledge. The structure and ethos of an organization have an impact on its absorbent capacity. For instance, an organization with a strong hierarchical structure or a culture discouraging open communication may have difficulty assimilating external information. In addition, the organization's capacity for knowledge exchange, both with the external environment and internally among its employees, is a crucial aspect of its absorptive capacity. By comprehending the organizational characteristics contributing

to absorbent ability, organizations can better identify areas for enhancing their information absorption capacity (Cohen & Levinthal, 1990).

The findings indicate that absorptive capacity is important when promoting innovation quality via transnational knowledge spillover. In addition, the study emphasizes the importance of the mediating role played by absorptive capacity, which suggests that absorptive capacity does not directly affect innovation quality but operates via transnational knowledge diffusion (Duan et al., 2021b). Additionally, Chinese businesses have embraced the sharing economy, allowing them to leverage other businesses' expertise and resources to increase their efficiency. In addition, the Chinese government has supported the development of new technologies and provided incentives for technology transfer. Consequently, Chinese businesses have become more adept at identifying and utilizing new sources of knowledge, increasing their global market competitiveness.

#### 4. HYPOTHESIS DEVELOPMENTS

The Chinese government has placed a significant emphasis on innovation performance and innovation quality among Chinese businesses. The development of innovative products, processes, and services and Chinese companies' ability to compete on the global market have received considerable attention. In terms of innovation performance, Chinese enterprises have accomplished a great deal. With a cumulative output of more than \$2 trillion in 2017, China is the world's largest producer of high-tech products. Chinese companies have utilized their robust manufacturing capabilities to develop innovative, globally competitive products and services. The innovation outcome is determined by the perspective from which it was studied (Chen et al., 2019). According to research, innovation has a significant impact on the performance of a business. Innovative organizations are more capable of delivering new products and services, modifying business operations to satisfy market demands, and seizing opportunities than non-innovative organizations. In addition, innovation has been associated with higher rates of growth and profitability (Aboramadan et al., 2020). This is because Enterprise Innovation Performance is directly proportional to the grade of the produced innovation. The greater the innovation's excellence, the greater the Enterprise's Innovation Performance. This is because high-quality innovations are more likely to be effective, and successful innovations result in increased profits and enterprise growth.

**H1:** There is a significant relationship between Enterprise Innovation Performance and Innovation Quality

Financial Inclusion consists of individuals, businesses, and communities that cannot access or benefit from traditional financial services due to a lack of access, resources, or knowledge. Innovative quality is attained by a product or service using novel or enhanced processes, designs, and materials. To obtain a competitive advantage, businesses must ensure that their goods and services adhere to the highest quality

standards. Enterprise Financialization Financial Inclusion Research Is Important Because It Can Inform Policies, Regulations, and Industry Practices That Can Help Reduce the Prevalence of Financial Inclusion. Additionally, research can assist in identifying the causes of financial inclusion and developing individualized solutions to resolve these problems. This can include providing individuals and enterprises access to financial services, such as microloans and financial education. Ultimately, research on Enterprise Financialization and Financial Inclusion can ensure that everyone must participate in the formal economy and attain financial security (Kim, 2016).

Innovation quality emphasizes that innovation implementation must be consistent with the dynamic organizational innovation process and that it is essential to consider both the overall output and the static consequences of an investment in innovation activities. Innovation quality emphasizes the overall efficacy, quality, and potential for transforming total production into total performance (Duan et al., 2021b). The relationship between Enterprise Financialization, Financial Inclusion, and innovation quality is strong. When these two concepts are linked, Enterprise Financialization and Financial Inclusion can be enhanced by developing innovative solutions that make financial services more accessible and affordable for traditionally underserved populations.

**H2:** There is a significant relationship between Enterprise Financialization, Financial Inclusion, and Innovation Quality

The structure and ethos of an organization affect its absorption capacity. For instance, an organization with a strong hierarchical structure or a culture discouraging open communication may have difficulty assimilating external information. Absorptive capacity is a prerequisite for effective Innovation Quality, so the two variables are related. According to research, innovation has a significant impact on the performance of a business. Innovative organizations are more capable of delivering new products and services, modifying business operations to satisfy market demands, and seizing opportunities than non-innovative organizations. In addition, innovation has been associated with higher rates of growth and profitability (Aboramadan et al., 2020).

Innovation quality emphasizes that innovation implementation must be consistent with the dynamic organizational innovation process and that it is essential to consider both the overall output and the static consequences of an investment in innovation activities. Innovation quality emphasizes the overall efficacy, quality, and potential for transforming total production into total performance (Duan et al., 2021b). Companies with greater absorptive capacity can better identify external knowledge and technology to enhance their product quality, process, and organizational capabilities. Higher Absorptive Capacity also permits businesses to acclimate to changes in the environment and the marketplace more rapidly, which can result in enhanced innovation quality.

**H3:** There is a significant relationship between Absorptive Capacity and Innovation Quality

The structure and ethos of an organization have an impact on its capacity for absorption. For instance, an organization with a strong hierarchical structure or a culture discouraging open communication may have difficulty assimilating external information. This capability requires organizations to identify relevant information from their external environment, assimilate it, and then apply it to enhance their competitive advantage. As innovation contingency factors, external factors, such as environmental turbulence and external networks, and internal firm factors, such as internal resource constraints and the firm's knowledge, are currently being considered (Duan et al., 2021a).

According to research, innovation has a significant impact on the performance of a business. Innovative organizations are more capable of delivering new products and services, modifying business operations to satisfy market demands, and seizing opportunities than non-innovative organizations. In addition, innovation has been associated with higher rates of growth and profitability (Aboramadan et al., 2020). Absorptive capacity refers to an organization's ability to comprehend and apply external knowledge to generate superior innovations. When an organization's absorptive capacity is high, it can better comprehend and apply external knowledge to recover innovation performance and quality. Thus, an organization's absorptive capacity directly influences the intensity of the relationship between enterprise innovation performance and innovation quality.

**H4:** Absorptive Capacity moderates the relationship between Enterprise Innovation Performance and Innovation Quality

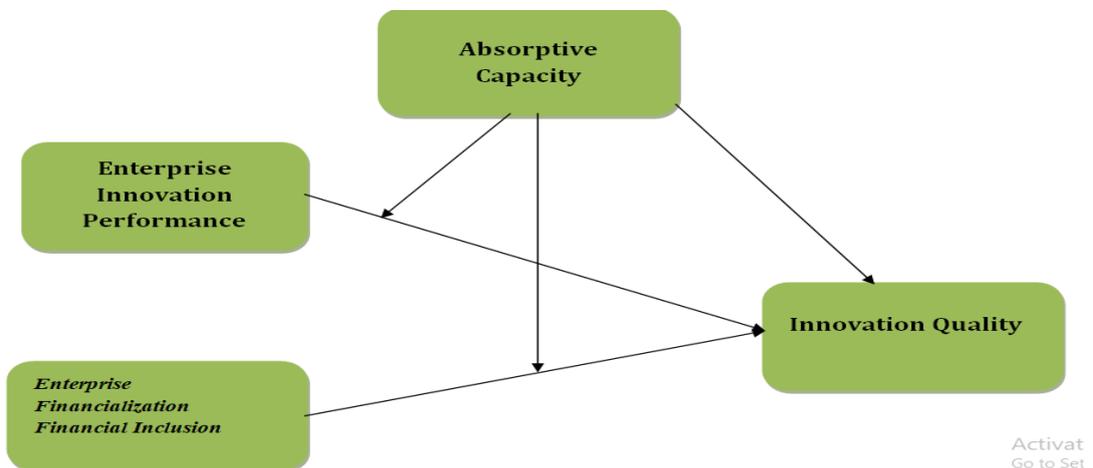
With absorptive capacity, businesses can utilize the resources provided by Enterprise Financialization Financial Inclusion to create innovative products, services, and procedures. This can then result in higher innovation quality levels. Therefore, absorptive capacity can moderate the relationship between Enterprise Financialization Financial Inclusion and innovation quality by enabling firms to utilize Enterprise Financialization Financial Inclusion more effectively to develop higher-quality innovations. In the context of current market competition, China has emerged as a global manufacturing powerhouse and high-tech industries are developing swiftly in many emerging economies. Even though an increasing number of Chinese companies are focusing on high-value operations that employ innovation to address consumer requirements and growth, their innovation performance and efficiency are still relatively subpar. As the largest emerging economy in the world, China's high-tech sector is exhibiting significant development momentum (Duan et al., 2021b).

Enterprise Financialization Financial Inclusion is essential to economic development because it facilitates greater access to credit and capital, which is necessary for economic

expansion. Enterprise Financialization Financial Inclusion reduces poverty by providing access to financial products and services that help individuals and families save, borrow, and manage their money better. In addition, it expands access to financial services, which can stimulate economic development by increasing access to capital, fostering economic expansion, and boosting employment. Lastly, it improves financial literacy, which can assist individuals in becoming more financially responsible and making more informed financial decisions (Varghese & Viswanathan, 2018). The organization has the individual or organizational capacity to identify and exploit external knowledge or resources. Organizations or individuals with a lower Absorptive Capacity may not fully capitalize on the opportunities provided by Enterprise Financialization Financial Inclusion. They may not be able to achieve the same levels of Innovation Quality.

**H5:** Absorptive Capacity moderates the relationship between Enterprise Financialization, Financial Inclusion, and Innovation Quality

As a result, the study's structure, depicted in [Figure 1](#), was constructed based on the literature analysis and discussion presented above.



**Figure 1.** Conceptual Framework

## 5. METHODOLOGY

Through the literature review and investigation, we identify the most frequently discussed issues and construct the model by defining these issues as independent variables and dependent variables. The literature review findings are presented in Section 2, and the proposed model is illustrated in [Figure 1](#). The subsequent phase involves exploratory data analysis to investigate the demographic characteristics of respondents, the distribution of constructs, and the relationships between constructs. PLS-SEM with Smart PLS 3.0 is utilized to investigate how the demographics and issues may be affected. In the subsequent phase, the scale accuracy analysis is conducted to evaluate the validity and dependability of the measurement model. We assess the

validity using the Fornell-Larcker criterion and the heterotrait-monotrait (HTMT) ratio, and we assess the reliability using Cronbach's alpha, composite reliability (CR), and average variance explained (AVE). The structural model is then evaluated to determine the correlation between the variables.

A research design is a collection of procedures used to conduct an investigation. The research design refers to the methodology, structures, and procedures the researcher will use to conduct the study. We used a quantitative research design for this study. The sample represents a portion of the population that is representative. Choosing the appropriate sample size is an essential component of the research. Therefore, statistics or a general rule of thumb could be used to determine the sample size. The optimal sample size for the analysis would also be 10–20 times larger than the variable count of the study. Information was collected from Chinese business employees to satisfy the study's objective. 350 respondents were sampled using a combination of convenience and stratified sampling to account for various population density concentrations and preventing bias. Data collection is done via a questionnaire. A structured questionnaire from prior research is used here. The adaptability of the questionnaire is predicated on the dependability of its queries regarding independent, dependent, and moderating variables. Because 100 questionnaires were left blank, statistical analysis was conducted on 350 of the 450 questionnaires.

Only relevant data could be extracted and converted to comma-delimited (CSV) format for further processing in Excel for this study's analysis. The data was analyzed using Smart PLS 3 (SEM) statistical application. Our working hypothesis was empirically examined using a Structural Equation Model (SEM) with Partial Least Square (PLS). Nawaz, Chen, and Su (2023) demonstrated that PLS-SEM can attain high levels of statistical power even with a small sample size. In addition, numerous studies show that Smart PLS is appropriate for data analysis with tiny sample sizes. Based on the sample size, Smart PLS was selected. SPSS was used to analyze demographic variables, while Smart PLS was utilized to evaluate the reliability, validity, and relationship between variables.

## 5.1 Measures

Data collection is done via a questionnaire. A structured questionnaire from prior research is used here. The adaptability of the questionnaire is predicated on the dependability of its queries regarding independent, dependent, and mediating variables. Innovation Quality (Chin et al., 2021), Enterprise Innovation Performance (Aboramadan et al., 2020), Enterprise Financialization Financial Inclusion (Varghese & Viswanathan, 2018), and Absorptive Capacity (Duan et al., 2021a) are the four variables that will be examined in this study. The instrument for collecting data was divided into two parts, the first of which was designed to collect demographic information about students (such as gender, qualifications, and experience). The second section assessed the constructs utilized in the study. The questionnaire contained 21 elements. The 5-point Likert scale

was used to collect data. To increase the response rate, response quality, and respondents' "frustration level," a 5-point Likert scale was utilized (Babakus & Mangold, 1992). The researchers strongly suggested employing a 5-point Likert scale, ranging from "strongly agree" to "strongly disagree," because it would reduce the level of discomfort among patient respondents while simultaneously increasing response rate and answer quality (Sachdev & Verma, 2004).

## 6. DATA ANALYSIS

### 6.1 Demographic Analysis

This section discussed the demographic characteristics of the respondent. Examined demographic factors include gender, credentials, and experience. The information on the respondent's demographic profile is followed in [Table 1](#).

**Table1. Demographic Profile of the Respondents**

		Frequency	Percentage
<b>Gender</b>	Male	94	52%
	Female	85	47%
<b>Designation</b>	CEO	62	35%
	Managerial Staff	50	28%
	Accounts Staff	27	15%
<b>Experience</b>	1 Year	39	22%
	2 Year	23	13%
	3 Year	35	20%
	4 Year	28	16%
	5 Years and above	54	30%

This section discussed the demographic characteristics of the respondent. Examined demographic factors include gender, credentials, and experience. The table indicates that 52% are men and 47% are women. 35% of respondents are the chief executive officer, 28% are managerial staff, and 22% are account staff. 22% of workers had one year of experience, 13% had two years, 20% had three years, 16% had four years, and 30% had five years or more.

### 6.2 Measurement Model

The measurement model is utilized to estimate and analyze reliability and validity (Hair Jr et al., 2014). Composite reliability is used to measure the internal consistency of variables, while extrinsic loading is used to measure the reliability of elements. When the reliability and validity of this construct have been established or satisfied, it is said that the relationship between variables is normal (Peter & Churchill Jr, 1986). The PLS-SEM analysis of the measurement model has been conducted using Smart PLS 3.0

(Ringle et al., 2020). Throughout the evaluation of the measurement model, factor loading, composite reliability, Cronbach's alpha, average extracted variance (AVE), and discriminant validity were all examined.

**Table 2. Construct Reliability and Validity**

	Items	Outer Loading	Cronbach's Alpha	CR	AVE
<b>Innovation Quality</b>	IQ1	<b>1.960</b>	<b>0.797</b>	<b>0.855</b>	<b>0.517</b>
	IQ2	<b>1.900</b>			
	IQ3	<b>1.085</b>			
	IQ4	<b>1.833</b>			
	IQ5	<b>1.633</b>			
	IQ6	<b>1.633</b>			
<b>Enterprise Innovation Performance</b>	EIP1	<b>1.824</b>	<b>0.793</b>	<b>0.852</b>	<b>0.624</b>
	EIP2	<b>1.554</b>			
	EIP3	<b>1.817</b>			
	EIP4	<b>1.205</b>			
	EIP5	<b>1.524</b>			
<b>Enterprise Financialization Financial Inclusion</b>	FI1	<b>1.420</b>	<b>0.811</b>	<b>0.814</b>	<b>0.570</b>
	FI2	<b>1.613</b>			
	FI3	<b>1.718</b>			
	FI4	<b>1.722</b>			
	FI5	<b>1.552</b>			
<b>Absorptive Capacity</b>	AC1	<b>0.800</b>	<b>0.804</b>	<b>0.810</b>	<b>0.561</b>
	AC2	<b>0.713</b>			
	AC3	<b>0.824</b>			
	AC4	<b>0.743</b>			
	AC5	<b>0.652</b>			

The initial analysis of the factor loadings, validity, and reliability of the data collected from 350 Chinese enterprise employees was conducted using PLS-SEM. The outcomes of the validity, reliability, and factor loading analyses performed on the items used to develop the PLS measurement model are presented in Table 2. Cronbach's alpha, which assesses the internal consistency of the items, must be 0.70 or higher as a general rule (Fornell & Larcker, 1981). The Alpha and CR values for the selected variables for Cronbach's correlation coefficient were greater than 0.70. The average variance extracted (AVE) values for discriminant validity were greater than 0.50, establishing convergent validity and demonstrating acceptable reliability (Fornell & Larcker, 1981). The range of CR values was from 0.810 to 0.855, which is all greater than the threshold value of 0.70 (Zaman et al., 2022). Our findings indicated that Cronbach's alpha, CR, and AVE values of 0.6, 0.7, and 0.5 for each of the abovementioned metrics were

acceptable (Hair Jr et al., 2014). Since the evaluation revealed that the convergent validity and reliability criteria were met, our framework indicators could demonstrate consistency and explain variables.

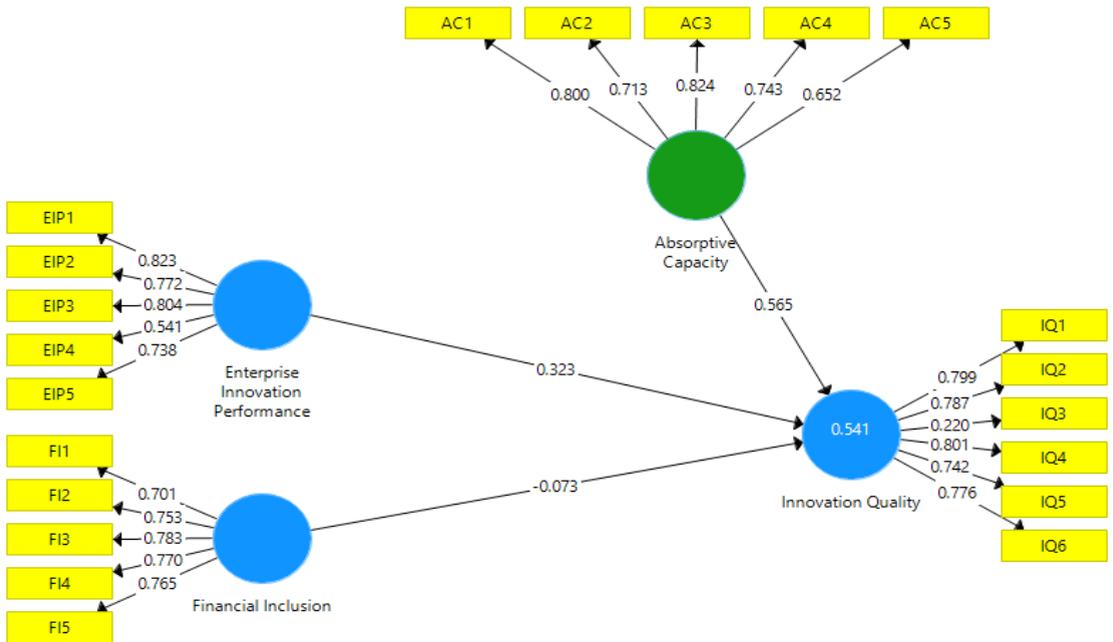
### 6.3 Discriminant Validity(HTMT)

Comparing the correlation between latent variables and the square root of AVE provided evidence of discriminant validity (Fornell & Larcker, 1981). For assessing discriminant validity, Fornell and Larcker's (1981) rule of thumb suggests using average variance retrieved with a score of 0.50 or higher. To demonstrate discriminant validity, Fornell and Larcker (1981) indicate that the square root of the AVE must be greater than the value of the latent variables. The bootstrapping method generates confidence intervals, with the maximum level of certainty being less than one (Valaei & Jiroudi, 2016). If the HTMT value is 1, signifying that the null hypothesis has been accepted, the absence of discriminant validity is demonstrated. (Sarstedt et al., 2014). After determining that all variables met the criteria for reliability and validity, we proceeded with our investigation by conducting a structural route analysis. We did this because we determined that structural path analysis was required. In addition, the HTMT values were less than one, supporting the validity of the discriminant (Raz et al., 2015; Zaman et al., 2021). Comparing the latent variables listed in Table 3 to determine discriminant validity, this study used discriminant validity to assure the external coherence of the model. In conclusion, yields the AVE for the variables is as follows: Innovation Quality (IQ) = 0.71, Enterprise Innovation Performance (EIP) = 0.74, Enterprise Financialization Financial Inclusion (FI) = 0.75, and Absorptive Capacity (AC) = 0.74.

**Table 3.** *Discriminant Validity(HTMT)*

	<b>Absorptive Capacity</b>	<b>Enterprise Innovation Performance</b>	<b>Enterprise Financialization Financial Inclusion</b>	<b>Innovation Quality</b>
<b>Absorptive Capacity</b>	0.749			
<b>Enterprise Innovation Performance</b>	0.509	0.743		
<b>Enterprise Financialization Financial Inclusion</b>	0.629	0.469	0.755	
<b>Innovation Quality</b>	0.684	0.577	0.433	0.719

Table 3 demonstrates that AVE's square root has been higher than the latent variable correlation, demonstrating sufficient discriminant validity. Based on the results from earlier research, this study clarified the framework and showed the relationships between the factors.



**Figure 2.** Measurement Model

### 6.4 Structural Equation Model

Using the PLS-SEM bootstrapping technique, the structural model route coefficients indicating the hypothesized correlations were statistically significant. The PLS-SEM evaluation of digital health technology has been empirically demonstrated to strongly predict psychological well-being, as shown in Table 4, which displays the route correlations and hypothesis testing decisions. The conclusions reached by the researchers are presented in Table 4.

**Table 4. Tested Hypothesis**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	F Square	R Square
Absorptive capacity -> Innovation Quality	0.565	0.563	0.046	12.371	0.000	0.380	0.541
Enterprise Innovation Performance -> Innovation Quality	0.323	0.326	0.051	6.365	0.000	0.160	
Enterprise Financialization Financial Inclusion -> Innovation Quality	-0.073	-0.071	0.047	1.552	0.121	0.007	

Table 4 also displays the hypotheses' path connections and testing alternatives. According to the findings, there is a statistically significant relationship between enterprise Innovation Performance and Innovation Quality ( $t = 6.365, p = 0.000$ ). Consequently, Hypothesis 1 is permissible. According to the PLS-SEM analysis, the relationship between Enterprise Financialization, Financial Inclusion, and Innovation Quality Technology is insignificant ( $t = 1.552, p = 0.121$ ). Consequently, the study's second hypothesis was statistically confirmed to be true. In this study, the significance of the connections between Absorptive Capacity and Innovation Quality was the subject of the third hypothesis. The third hypothesis is similarly supported by the PLS-SEM study results ( $t = 12.371$  and  $p = 0.000$ ).

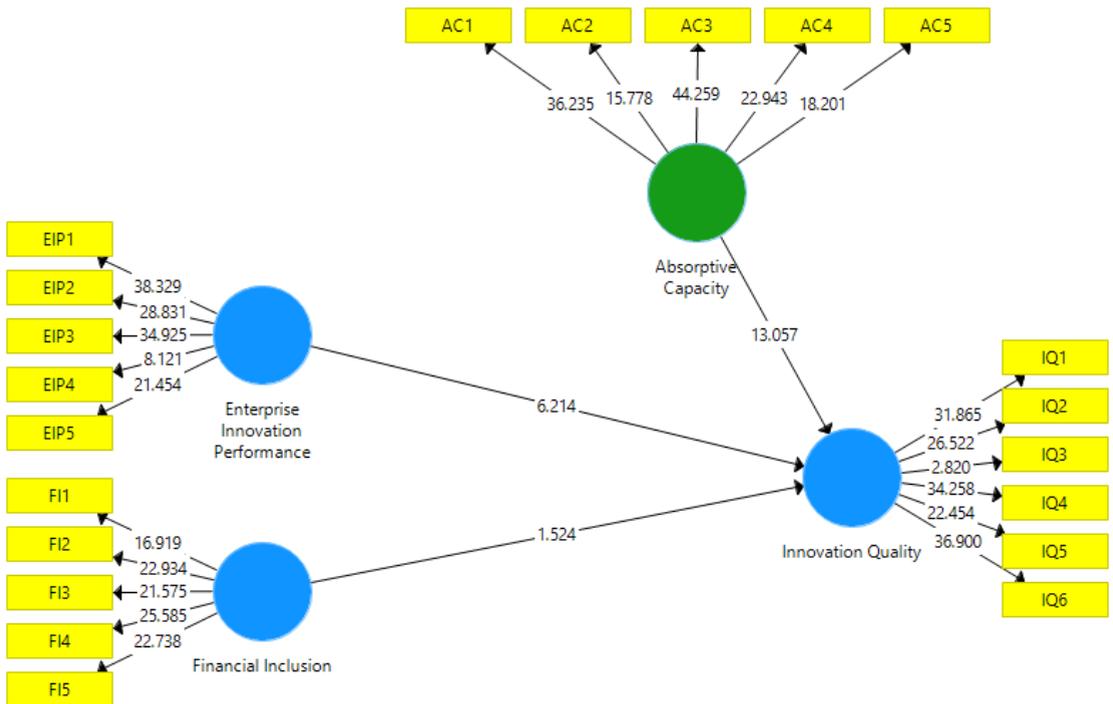


Figure 3. Structural Model

### 6.5 Moderation Analysis

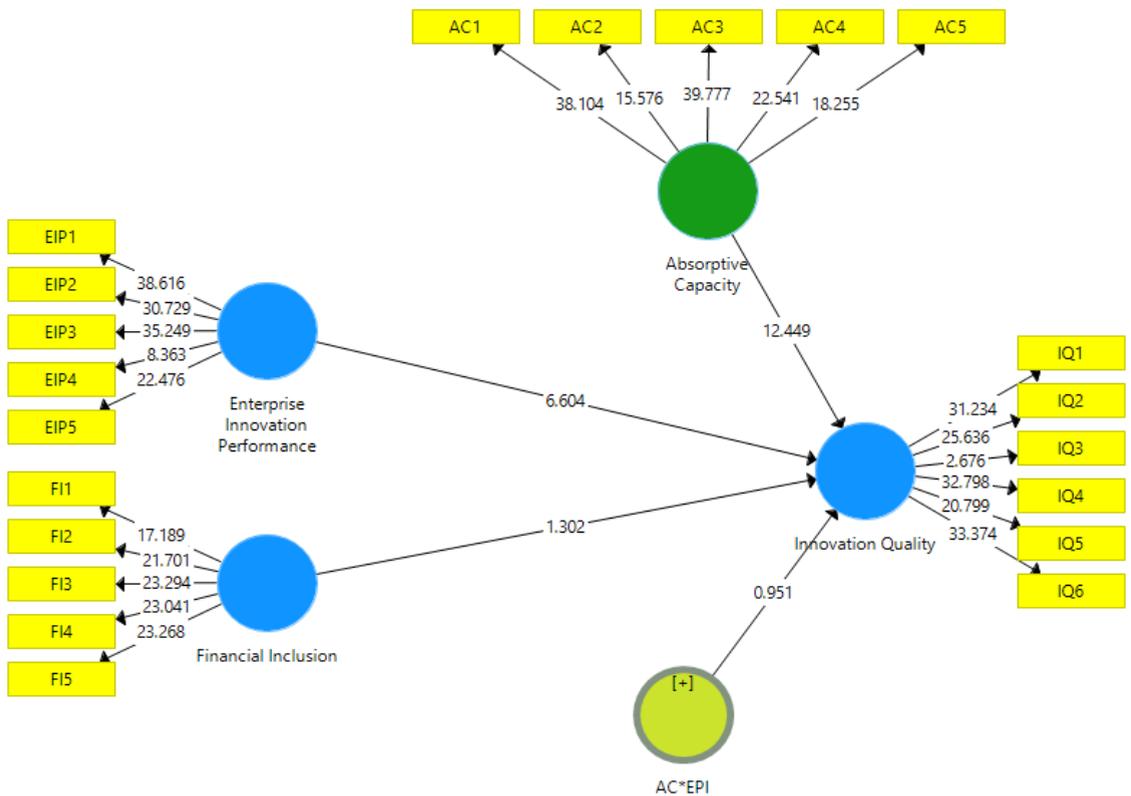
Following an analysis of direct path relationships within the central model, the moderating effect of Absorptive Capacity was examined. As described by Fiedler and Sivo (2015), moderators can be qualitative or quantitative variables that influence the path and/or intensity of a relationship between an indigenous and dependent or parameter differences. Various methods exist to analyze the moderating effect in structural models, but the interaction effect (product term) is the most common. The structural path model (Fan et al., 2016) also identifies this as a moderating influence with a new structural relationship. If there is a significant deviation from zero (i.e., the

null hypothesis is not supported), this indicates moderation (Fiedler & Sivo, 2015). Table 5 displays the outcome of the moderation analysis.

**Table 5. Moderation Hypothesis**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>EIP * AC -&gt; Innovation Quality</b>	-0.116	-0.126	0.050	2.344	<b>0.019</b>
<b>FI * AC -&gt; Innovation Quality</b>	0.124	0.131	0.039	3.171	<b>0.002</b>

Absorptive capacity moderates the relationship between Enterprise Innovation Performance and Innovation Quality ( $b = -0.116$ ,  $p = 0.019$ ). Absorptive capacity mediates the relationship between Enterprise Financialization, Financial Inclusion, and Innovation Quality ( $b = 0.124$ ,  $p = 0.002$ ).



**Figure 4. Moderation Model**

Figure 4 Absorptive Capacity as a Moderator between Enterprise Innovation Performance and Innovation Quality

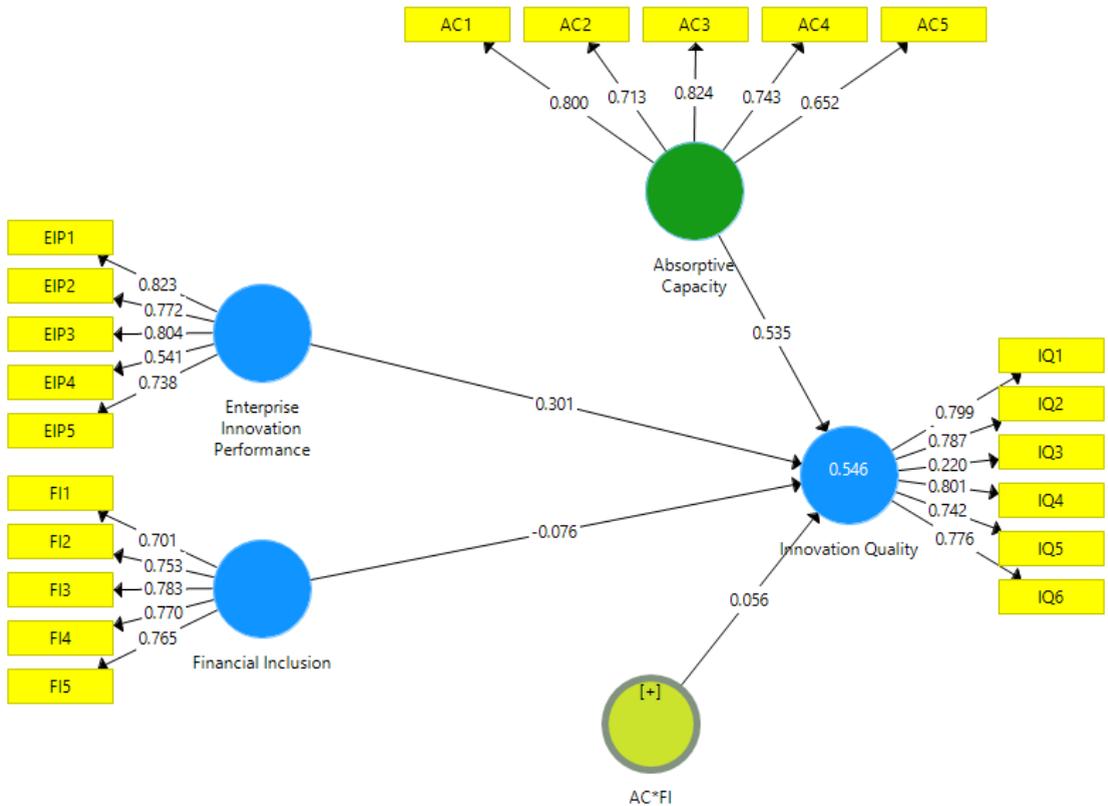


Figure 5. Moderation Model

Figure 5 Absorptive Capacity as a Moderator between Enterprise Innovation Performance and Innovation Quality

This section explains the relationship between variables using various statistical techniques and instruments for establishing statistical relationships. It presented a comprehensive analysis, which included the Multicollinearity Test utilizing Tolerance and VIF, Composite Reliability and Validity, Discriminant Validity (HTMT), Hypotheses, Measurement Model, Structural Model, Moderation, Evaluation of R-square, Evaluation of Effective Size, and Evaluation of Predictive Relevance (Q2) analysis using smart PLS. Based on these results, the following section will discuss the discussion, limitations, practical implications, conclusion, and future directions.

## 7. DISCUSSION

The study's primary objective was to establish a correlation between Enterprise Innovation Performance and Innovation Quality. This suggests that organizations must optimize their innovation performance to ensure that their innovation quality is of the

utmost quality. This relationship implies that organizations should prioritize the development of strategies to ensure their innovation performance is consistent and of high quality. This may involve various techniques, including consumer feedback, market research, technology scouting, and product testing. In addition, organizations must ensure they have the resources necessary to support the creation of innovative products and services. This may involve investing in research and development, employing seasoned personnel, and supplying essential tools and equipment. By optimizing innovation performance, organizations can increase their chances of attaining innovation outcomes of a higher caliber. Thus, H1 is admissible. The second objective of this study was to examine the connection between Enterprise Financialization, Financial Inclusion, and Innovation Quality. An important relationship exists between Enterprise Financialization, Financial Inclusion, and innovation quality. By expanding access to financial services and products, Enterprise Financialization Financial Inclusion can facilitate the commercialization of novel, innovative solutions. This can help improve the quality of services offered to clients and increase competition in the financial sector, thereby lowering costs and enhancing service accessibility.

Additionally, Enterprise Financialization Financial Inclusion can increase access to capital, allowing businesses to innovate more readily, which can result in further enhancements to the quality of services offered to customers. Enterprise Financialization Financial Inclusion is crucial for nurturing innovation and enhancing the quality of financial sector services. Consequently, H2 is acceptable.

The third objective of this study was to examine the connection between Absorptive Capacity and Innovation Quality. The research revealed a significant correlation between Absorptive Capacity and Innovation Quality. The relationship between Absorptive Capacity and Innovation Quality is crucial to the success of a business. Clearly, the higher an organization's Absorptive Capacity, the higher the caliber of its innovation. A company with increased Absorptive Capacity is better equipped to recognize external opportunities, internalize and apply knowledge, and adapt rapidly. This enables organizations to be better prepared to design and implement high-quality products and services, which can result in enhanced performance. Overall, the relationship between Absorptive Capacity and Innovation Quality is crucial, and businesses should endeavor to maximize their Absorptive Capacity. By doing so, businesses can improve their ability to recognize and capitalize on external opportunities, internalize and apply knowledge, and rapidly adapt to and respond to external environment changes. This enables them to develop and deliver high-quality goods and services, enhancing performance. Based on the preceding discussion and the fact that these studies align with our results, H3 is also accepted.

According to the fourth objective of the study, the relationship between Enterprise Innovation Performance and Innovation Quality is moderated by Absorptive Capacity. The findings of this investigation indicate that. Specifically, it was discovered that higher

Absorptive Capacity moderates the positive relationship between Enterprise Innovation Performance and Innovation Quality. This indicates that organizations with a greater Absorptive Capacity can leverage their Enterprise Innovation Performance to generate innovations of a higher quality. In addition, the findings of this study indicate that Absorptive Capacity can be utilized to enhance Enterprise Innovation Performance. Organizations should focus on developing and strengthening their Absorptive Capacity to maximize the quality of their innovations. This can be accomplished through initiatives such as increased knowledge generation, enhanced knowledge transfer procedures, and enhanced collaboration with external partners. This study has provided significant insight into the role of Absorptive Capacity in the relationship between Enterprise Innovation Performance and Innovation Quality. It has been demonstrated that Absorptive Capacity is a critical factor in the successful development of high-quality innovations and should be considered by organizations to improve Enterprise Innovation Performance. This investigation supported our finding, so Hypothesis 4 is accepted.

According to the study's fifth objective, absorptive capacity moderates the relationship between enterprise financialization and innovation quality. Enterprise Financialization Financial Inclusion is an essential factor in promoting innovation quality, but the extent of its effect is contingent on the organization's absorptive capacity. When absorption capacity is high, Enterprise Financialization Financial Inclusion improves innovation quality. When absorptive capacity is limited, on the other hand, Enterprise Financialization Financial Inclusion has no significant effect on innovation quality (Agustina & Istanti, 2022). This study emphasizes the significance of absorptive capacity in the relationship between Enterprise Financialization, Financial Inclusion, and innovation quality. Organizations should prioritize building absorptive capacity to ensure their Enterprise Financialization Financial Inclusion efforts produce the desired outcomes. This investigation supported our finding, so Hypothesis 5 is accepted.

**Table 6. Summary of Hypotheses**

<b>Hypotheses</b>	<b>Decision</b>
There is a significant relationship between Enterprise Innovation Performance and Innovation Quality.	Accepted
There is a significant relationship between Enterprise Financialization, Financial Inclusion, and Innovation Quality.	Accepted
There is a significant relationship between Absorptive Capacity and Innovation Quality.	Accepted
Absorptive capacity moderates the relationship between Enterprise Innovation Performance and Innovation Quality.	Accepted
Absorptive capacity moderates the relationship between Enterprise Financialization, Financial Inclusion, and Innovation Quality.	Accepted

## **8. CONCLUSION**

The findings indicate that absorptive capacity mediates the relationship between enterprise innovation performance and Enterprise Financialization Financial Inclusion and enhances the positive effect of these two variables on innovation quality. By understanding the mediating role of absorptive capacity in the relationship between enterprise innovation performance and Enterprise Financialization Financial Inclusion, organizations can better design policies and programs to support and improve their innovation performance. In addition, policymakers should also consider the role of absorptive capacity in their Enterprise Financialization Financial Inclusion policies, as this could enhance the efficacy of such policies. This study concludes that enterprise innovation performance and Enterprise Financialization Financial Inclusion positively affect innovation quality in Chinese firms, while absorptive capacity moderates this association. As a result, Chinese businesses should concentrate on enhancing their absorptive capacity and actively pursue Enterprise Financialization and Financial Inclusion, as these are crucial innovation-driving factors. In addition, the findings of this study offer valuable insights into how businesses can leverage innovation performance and Enterprise Financialization Financial Inclusion to enhance the quality of their innovation. In the future, Chinese businesses will need to continue developing their absorptive capacity to maximize their innovation performance and Enterprise Financialization Financial Inclusion.

## **9. THEORETICAL SIGNIFICANCE**

The theoretical significance of the influence of enterprise innovation performance and Enterprise Financialization Financial Inclusion on innovation quality with the moderation of absorptive capacity in Chinese enterprises lies in its capacity to shed light on how enterprise innovation performance and Enterprise Financialization Financial Inclusion can be used to improve innovation quality. Specifically, the study can contribute to developing policies and strategies that emphasize the role of absorptive capacity as a mediator of the relationship between enterprise innovation performance, Enterprise Financialization, Financial Inclusion, and innovation quality. The study's findings can also be applied to evaluating enterprise innovation performance and Enterprise Financialization Financial Inclusion, as well as designing interventions to enhance innovation quality. In addition, the study can shed light on the necessity for policymakers and practitioners to consider the moderating role of absorptive capacity in the relationship between enterprise innovation performance, Enterprise Financialization, Financial Inclusion, and innovation quality.

## **10. Practical Implications**

To improve innovation quality, the practical implications of this study suggest that Chinese businesses should prioritize nurturing an innovative culture and promoting

Enterprise Financialization and Financial Inclusion. They should also ensure the organization has sufficient absorptive capacity to convert new knowledge, technologies, and ideas into successful innovations. This includes the development of employee skills, establishing suitable structures and processes, and acquiring sufficient resources so that the organization can exploit new opportunities effectively. In addition, it is crucial to ensure that the organizational culture encourages innovation and provides incentives for employees to be more innovative. Lastly, Chinese businesses should thoroughly understand Enterprise Financialization and Financial Inclusion to identify and gain access to the appropriate funding sources to support their innovation activities.

In recent years, Chinese businesses have emphasized Enterprise Financialization and Financial Inclusion more. These businesses are now adopting measures to ensure that all of their stakeholders, including underserved populations, have access to the necessary capital and financial services. Some of these newly listed Chinese enterprises, for instance, have established Enterprise Financialization Financial Inclusion initiatives, such as providing financial products and services tailored to the requirements of low-income and rural populations and promoting financial literacy. In addition, several of these businesses have partnered with banks, microfinance institutions, and other financial service providers to facilitate greater access to financial services in remote areas. In addition, many of these companies are adopting digital and mobile payment methods to facilitate underserved populations' access to financial services. Some businesses, for instance, use mobile payment platforms to provide simple and secure access to bank accounts and mobile payment services in rural areas. Globally, Chinese businesses are implementing measures to guarantee Enterprise Financialization Financial Inclusion for all their stakeholders, including underserved populations. These initiatives promote financial literacy and expand access to financial services in rural and remote areas of the country.

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