Journal of Financial Management Strategy
Alzahra University
Vol. 12, No. 46, Fall 2024

pp. 13-16

Research Paper

Analysis of the Conceptual Model of Indicators Affecting Financing in Crisis Conditions: Insights from Covid-19 Pandemic and Sanction[1]

Sajad Veisi[2], Seyed Ali Vaez[3], Ebrahim Anvari[4], Esmaeel Mazaheri[5]

Received: 2024/03/03 Accepted: 2024/08/23

INTRODUCTION

One of the key factors for the development and stability of economies is the establishment of an efficient and robust financing system for companies. Given the rapid changes in the business environment, such a system must be continuously updated and optimized to effectively respond to emerging opportunities and threats. Over the past decade, companies in the country have faced two major crises: the intensification of sanctions and the COVID-19 pandemic. These crises appear to have had profound effects on corporate financing. While several studies have explored the impact of crises

1. doi: 10.22051/jfm.2024.46603.2910

2. Ph.D. Student, Departement of Accounting, Faculty of Economic and Social Sciences, Shahid Chamran University of Ahvaz, Ahvaz, Iran. Email:s-veisi@stu.scu.ac.ir.

3. Associate Professor, Departement of Accounting, Faculty of Economic and Social Sciences, Shahid Chamran University of Ahvaz, Ahvaz, Iran. Corresponding Author. Email:sa-vaez@scu.ac.ir.

4. Associate Professor, Departement of Economic, Faculty of Economic and Social Sciences, Shahid Chamran University of Ahvaz, Ahvaz, Iran. Email:E.anvari@scu.ac.ir.

5. Assistant Professor. Departement of Accounting, Faculty of Economic and Social Sciences, Shahid Chamran University of Ahvaz, Ahvaz, Iran. Email:e.mazaheri@scu.ac.ir

on company financing, few have comprehensively examined how such crises influence the interaction between macroeconomic variables (at the national level) and microeconomic factors (at the company level) on corporate financing decisions. Despite the importance of understanding these dynamics, no research to date has developed a comprehensive model that accounts for both internal and external factors affecting corporate financing under crisis conditions, especially in emerging economies. The motivation for this research stems from this gap in the literature. The goal of the study is to propose a relatively comprehensive model that identifies, categorizes, and demonstrates the impact of both internal and external factors on corporate financing in the context of crisis conditions, such as sanctions and the COVID-19 pandemic. A critical element in designing this model is recognizing the simultaneity of the various factors and dimensions that influence the evolution of the financing system. Thus, this study seeks to fill the research gap by providing a model that considers both external and internal dimensions of corporate financing under the pressures of sanctions and the pandemic. By conducting an extensive literature review and using structural equation modeling (SEM) to empirically test the proposed model, this research aims to answer the challenge of how sanctions and COVID-19 impact the effectiveness of corporate financing systems.

MATERIALS AND METHODS

At this stage, the primary method of data collection involves reviewing theoretical foundations and analyzing both financial and non-financial reports of companies. Initially, relevant theoretical frameworks are gathered through library research and reliable databases to provide a foundation for understanding the research topic. Subsequently, as is common in empirical research, financial and non-financial data from companies listed in the capital market are utilized. The research model is then developed and tested through structural equation modeling (SEM). To achieve this, data from 159 companies spanning the period 2013 to 2022 (1,590 company-years) were collected to examine 14 hypotheses. The SEM was conducted using SmartPLS4 software, and the hypotheses were tested across three distinct models, with the financing model being divided into three key categories: internal financing, short-term external financing, and long-term external financing.

RESULTS AND DISCUSSION

The results of the research showed that sanctions and the COVID-19 crisis impact audit characteristics, financial performance, market performance, investment efficiency, political communication, and economic uncertainty on internal financing through retained earnings. Additionally, financial performance, market performance, investment efficiency, political communication, economic uncertainty, and corporate characteristics significantly moderate both short-term and long-term external financing. Finally, based on the determination coefficients of all three research models, it was found that the selected factors have greater explanatory power for long-term financing than for internal or short-term financing.

CONCLUSION

To mitigate the challenges caused by the crisis, which has made company financing difficult, managers should focus on improving financial performance, market performance, and investment efficiency. These factors increase the company's credibility and trustworthiness among foreign investors, enabling it to benefit from lower interest rates. To boost internal financing, companies should utilize high-quality auditors. Additionally, managers should work to strengthen political connections, as this can help the company expand into new markets and receive government support, even during crises. To further reduce the negative impact of a crisis on financing, companies should diversify their sources of funding and employ financial risk management tools such as insurance, derivatives, and futures contracts. These measures help the company minimize adverse effects and maintain financial stability in challenging economic conditions. Legal reforms, investment in stock portfolios, reducing investment risk in the country, as well as long-term, medium-term, and short-term economic policies aligned with economic justice, along with political and security factors involving managers and experts, can all influence international financing under sanction conditions. Finally, this research contributes to the literature on factors affecting the financing system of companies in times of crisis. It offers insights that can improve the allocation of financial resources and increase the efficiency of financial markets. The findings of this study can help identify existing opportunities, threats, weaknesses, and strengths, as well as the needs and challenges of the corporate financing system, and provide practical solutions and policies for its development.

Keywords: Development of Financing System, Covid-19, Sanction, Internal Financing, External Financing.
JEL Classification: C52, G11, G14, G31.