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COVID-19 Impact on Firm Investment- Evidence from Firms Listed in the Tehran Stock Exchange[1]

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Research Paper

INTRODUCTION

One of the important factors for solving the economic problems of countries is the expansion of investment and investment is always one of the most important issues facing any natural and legal person. If we consider economic development as a set of operations for a country to improve the living conditions of the people and increase national income, it is clear that the most important issue in this area is investment. Investment, by restoring what is spent in the production phase, can sustain economic growth and development. The rapid growth and transformation of economic relations have led to intense competition in trade, industry and investment. Therefore, to survive and expand their activities, companies need to make appropriate and timely investments. The most important factor affecting financial security issues as a challenge for companies is maintaining financial flexibility. Financial flexibility is the ability of companies to provide financial resources to respond appropriately to unforeseen events and cases, to maximize company value. One of the important and influential factors in the world economy and Iran has been the coronavirus outbreak. The first and most important effect of this disease is undoubtedly felt in the world economy. Accidents can cause a crisis in a country. War, floods, earthquakes, the onset of coronaviruses, terrorist attacks, and even contagious diseases are examples of these crises.

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After that, the news related to Covid-19 caused fear and panic in all people, and little by little these fears found their way to the economy and financial markets, and financial and economic crises arose.

Therefore ،Relying on the above topics in this study, the effect of the coronavirus outbreak on the financial conditions of companies and their investment and what obstacles to corporate investment are due to Inappropriate stock market conditions exist during the outbreak, as well as what factors influence the relationship between corporate investment and the coronavirus outbreak.

MATERIALS AND METHODS

According to the research of Jiang Ji, et al (2021), for the measurement of the dependent variable of research, i.e. the cost of investment, the division of fixed asset changes in the current quarter on the net fixed asset at the beginning of the current period was used. The independent variable of research, COVID-19, is virtual (0 and 1) and if this variable belongs to the Corona period (winter 2019 to the end of summer 2022), it is equal to 1 and otherwise that is equal to 0. With this information, the first hypothesis was tested The COVID-19 is causing a significant decline in firm investment. The second hypothesis of this study was: Does the focus of company ownership affect the relationship between COVID-19 prevalence and company investment? Examined and tested. The concentration of ownership is derived from the total percentage of ownership of the three senior shareholders of the company. To measure this variable, Rahchamani(2010) research was used. The third hypothesis of this study was: Does the size of company ownership affect the relationship between COVID-19 prevalence and company investment? Examined and tested. According to research by Jiang Ji, et al (2021), the company size is equal to the logarithm of the total assets .The fourth hypothesis of this study was: Does the Lifecycle of company ownership affect the relationship between COVID-19 prevalence and company investment? Examined and tested. To determine the value of this variable, Dickinson's cash flow model 2011 is used. According to this model, cash flows from operational activities (CFO), investment (CFI), and financing (CFF) can be used to determine the life cycle stages of the company, including introduction, growth ،Maturity, and decline. The last hypothesis of this study was: Does the Cash flexibility of company ownership affect the relationship between COVID-19 prevalence and company investment? Examined and tested. To measure this variable, the research of Ali-Nejad and Aeen (2013) on the division of the sum of cash and short-term investment at the end of the period on the total sum of assets at the end period was used. The statistical population of the study consisted of 18 companies listed in the Tehran Stock Exchange in the period from December 22, 2017, to September 22, 2022.

RESULTS AND DISCUSSION

The results of the first hypothesis of the study show that the prevalence of COVID-19 has a positive coefficient and significant levels of less than 5 percent, so it can be said that the first hypothesis is accepted. However, the positive coefficient indicates an inverse relationship between COVID-19 outbreaks and corporate investment. Because it is considered an inverse measure of the investment variable. When a company invests, the cash flow of the investment will be negative (because it represents the outflow of cash flows), unlike when the investment of the company is reduced ،The net cash flow of the investment will be positive (because there will be less cash output and more cash inflows, which will be returned on previous investments). Therefore, the positive coefficient of this variable in the test results indicates that during the COVID-19 outbreak, corporate investment has decreased compared to normal.

The Results of the second to fifth hypotheses show that the property structure variable has a significant level of more than 5 percent, indicating that the ownership structure of the company affects the relationship between the COVID-19 outbreak and the company's investment, and thus the hypothesis the second one is not accepted. The company size variable also has a significant level of more than 5 percent, indicating that the company size does not affect the relationship between COVID-19 prevalence and company investment, and thus the third hypothesis is not accepted. The life cycle variable has a significant level of less than 5 percent, indicating that the life cycle of the company has a direct impact on the relationship between COVID-19 prevalence and company investment (because of the positive coefficient He has meaning and thus the fourth hypothesis is accepted. The variable of cash flexibility has a significant level of less than 5 percent, indicating that cash flexibility has a significant impact on the relationship between COVID-19 prevalence and company investment, thus hypothesizing Fifth is accepted.

CONCLUSION

The first hypothesis was observed that the variable coefficient of COVID-19 is positive and meaningful, indicating the effect of the COVID-19 outbreak on corporate investment (because it is not defined as non-corporate investment), the reverse agent is an investment. In the second hypothesis, the effect of ownership structure on the relationship between COVID-19 prevalence on corporate investment was investigated, which was not accepted. In other words, companies with a centralized or decentralized capital structure are equally affected by this crisis. In the

third hypothesis, the effect of company size on the relationship between COVID-19 prevalence on corporate investment was investigated. Due to the lack of a significant coefficient of this variable, this hypothesis was not accepted. In the fourth hypothesis, the impact of the life cycle on the relationship between the prevalence of COVID-19 on corporate investment was investigated and this hypothesis was accepted. The results show that companies at a higher stage of their life cycle are more likely than younger companies to have reduced investment during the COVID-19 outbreak. The fifth hypothesis examined the effect of cash flexibility on the relationship between COVID-19 prevalence and corporate investment. Due to the significant variable of cash flexibility, it can be concluded that cash flexibility has a significant impact on the relationship between COVID-19 prevalence and corporate investment. The test result of this hypothesis showed cash flexibility ،The negative impact of the COVID-19 crisis on investment has weakened companies, i.e., reduced investment during the COVID-19 crisis in companies with higher cash flexibility ،It's been less colored. The results are by predictions and expectations

Keywords: COVID-19, Investment, Cash Flexibility, Life Cycle.
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