

## Corporate Finance for Indian SMEs amidst the COVID-19 pandemic: A study on the Manufacturing sector

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**ABSTRACT:** The current study aims to assess the impact of Covid-19 on corporate financing of Indian SMEs with special reference to the Manufacturing sector. The study identified the economic impact of Covid-19 on the corporate financing of Indian SMEs. Furthermore, the study investigated the sources, issues and challenges pertaining to Corporate Finance for Indian SMEs amidst the COVID-19 pandemic. The study analyses the initiatives that are taken by the Government to finance SMEs and that assist them in mitigating the impact of the COVID-19 pandemic. Furthermore, the study provides recommendations to redesign the financing structure of SMEs in order to ensure their survival amidst the pandemic. For this purpose, the primary data is collected using a quantitative approach. The questionnaire is developed on a 5 point Likert scale and aims to assess the perceptions of the entrepreneurs and the stakeholders of Manufacturing SMEs in India. Concerning the findings of the study, a mixed perception was observed regarding the economic impact of the crisis, wherein certain respondents believed that the impact is short term and temporary, while others believed that the economic impacts of covid 19 on corporate financing will be long term and will lead to financial distress. Moreover, it was predicted that the major challenges faced by the SMEs due to the crisis will be the equity shortfalls for firms in the long term. Also, it was asserted that some firms may suffer more drastically because these firms have business models that are incompatible with social distancing. Apart from this, it was found that the initiatives undertaken by the Government to finance SMEs and assist them in mitigating the COVID-19 pandemic's impact are not statistically significant.

**KEYWORDS:** Corporate Finance, Indian SMEs, Covid-19, Manufacturing Sector, pandemic scenario

### I. INTRODUCTION

The end of 2019 witnessed the spread of a contagious virus, COVID-19, which proved to be a threat to human lives as well as the financial health of the global economy. The World Health Organization (WHO) classified it as a worldwide pandemic because of its rapid expansion across several nations. Lockdowns were implemented in countries all around the world to slow the transmission of this infection [46],[12]. However, COVID-19 has had a significant influence on financial and social experiences. This scenario portrayed a detrimental impact on small and medium businesses in particular (SMEs). In this environment, ensuring the long-term viability of SMEs has become a major problem and a matter of immense discussion and concern for all economies around the Globe. Because of the COVID-19 pandemic outbreak, many SMEs have been shuttered forcibly, resulting in a unique suspension of operations in various market segments, particularly manufacturing [15]. Several SMEs in the manufacturing industry are dealing with short-term concerns including labour problems, safety and health concerns, cash flows issues, consumer expectations, and issues related to marketing and sales. Although, even if these difficulties of a pandemic crisis are properly addressed, there is no assurance of a better future [28]. This is because once a pandemic, or any other circumstance that has the potential to destabilise enterprises, has passed, a completely new global marketplace of business will emerge in comparison to the one that existed prior to the disruption. Many SMEs have vanished, particularly in the manufacturing sector as a consequence of this pandemic situation. SMEs have been known to affect the financial system by returning taxes to the government and thus playing a crucial role in the growth and development of the economy. Several studies have been dedicated by the research scholars that indicate the significant role that the SMEs perform within an economy [1],[34],[43]. SMEs function effectively by guaranteeing that a large number of job seekers are

employed, serving as a source of innovation, and providing payback to the government in the form of taxation; consequently, it has been labelled a remedy for economic progress [2].

## PROBLEM STATEMENT

SMEs have conventionally made a substantial socioeconomic influence in India, and this impact has been rising over decades. Albeit with a lower scale of operations, the specific projections of profitability and shareholders' wealth enhancement are equally relevant to these businesses [47]. Senior management makes a variety of decisions to attain these goals, which may be roughly categorised as investment, fundraising, payout, and working capital considerations. However, SMEs have distinct corporate finance challenges that cannot be matched to those faced by major corporations. The capacity to meet financial goals is heavily reliant on financial feasibility. The access to finance to run a firm is important for both current SMEs' development and expansion as well as alluring potential entrepreneurs [24]. Moreover, during the present times of pandemic, SME owners and entrepreneurs are facing problems in making effective decisions pertaining to Corporate Financing in order to ensure the sustainability of their businesses [17]. The current study, therefore, aims to assess the impact of Covid-19 on corporate financing of Indian SMEs with special reference to the Manufacturing sector. It further identifies the economic impact, sources, issues and challenges pertaining to Corporate Finance for Indian SMEs amidst the COVID-19 pandemic. Finally, the study affirms the initiatives taken by the Government to finance SMEs and assist them in mitigating the impact of the COVID-19 pandemic and provide recommendations to redesign the financing structure of SMEs in order to ensure their survival amidst the pandemic.

## RESEARCH AIM AND OBJECTIVES

**Aim:** To assess the impact of Covid-19 on corporate financing of Indian SMEs with special reference to the Manufacturing sector.

### Objectives:

- To identify the economic impact of Covid-19 on the corporate financing of Indian SMEs.
- To investigate the sources, issues and challenges pertaining to Corporate Finance for Indian SMEs amidst the COVID-19 pandemic.
- To comprehend the initiatives taken by the Government to finance SMEs and assist them in mitigating the impact of the COVID-19 pandemic.

- To provide recommendations to redesign the financing structure of SMEs in order to ensure their survival amidst the pandemic.

## II. LITERATURE REVIEW

### AN OVERVIEW OF CORPORATE FINANCE

Corporate finance is the study of a company's investing and financing strategies. These judgments are, however, influenced by the competitive climate and organisational structure of the company [38]. In other words, Corporate finance is a financial domain that studies how businesses manage their funding sources, capital requirements, investments, and accounting choices. Long-term and short-term financial planning, as well as a variety of strategy execution, are all used to maximise shareholder's value. From capital investments to tax concerns, corporate finance activities are diverse [10]. Moreover, as suggested by [25] Corporate finance is primarily concerned with the firm's ability to make three critical decisions, which include seeking funding at the lowest feasible cost of capital from different accessible sources of financing (local and foreign marketplaces); investing the revenue raised in high-performing assets and finally, verifying that returns are distributed across diverse capital providers in the form of dividends and interest. Moreover, according to [9], along with the aforementioned decisions, corporate finance aids in the long-term achievement of the primary objective of maximising shareholder's value. The business's decisions should all be aimed at accomplishing the goal of creating long-term wealth for shareholders and beneficiaries. Also, Ref [26] asserts that the development and maintenance of long-term worth for both shareholders and the firm is ensured through prudent capital budgeting decisions, effective working capital administration, and a fair dividend policy. Moreover, the concepts of Economic Value Addition (EVA) and Market Value Addition (MVA) have gained significant importance in the field of corporate finance in the past few years. Both measures evaluate the entire market worth of the company in addition to the funds invested [3],[30].

Funding is required for businesses to function. However, some businesses have to encounter a lot more challenges to access funds than others. Despite the fact that they contribute to wealth development and job creation [45], [32], SMEs encounter several challenges in obtaining essential funding. Lending bias, anomalies in the financial system, and undeveloped capital markets

for SMEs were found to be the contributing factors to these financing challenges [5]. Financial limitations have long been and continue to be a major concern in the literature of corporate finance. SMEs are well-known for having more financial limitations than publicly traded companies, owing to their inability to issue new shares and corporate bonds. As a result, SMEs' funding differs from that of publicly traded companies. Borrowing from banking institutions is one of the most common and essential methods of corporate finance for SMEs. As a result, it is critical for SMEs to have deeper connections with banks in order to address financial issues caused by information asymmetry [4].

Since SMEs play a vital role in boosting the Indian economy and are major pillars for economic growth and development, it is essential to comprehend the corporate financing decisions and the activities currently being used by the SMEs to ensure their viability amidst the Covid-19 pandemic. These activities may include the activities and operations involved in raising cash for a firm's setup, growth, and acquisition or is associated with business actions that have a relation to the financial consequence. Also, it may be thought of as a link between the financial market and the company [23].

### **THE ECONOMIC IMPACT OF COVID-19 ON SMES**

The unprecedented COVID-19 pandemic has placed the globe in danger and altered global outlooks. Besides being a worldwide health disaster, this pandemic has resulted in a severe global economic slowdown. The economic operations of several nations are abruptly halted as they implement stringent quarantine laws to combat an unseen pandemic [31]. In regards to demand and supply interruptions, as well as the resulting economic downturn, the impact is playing out virtually identically in all nations across the world. Nevertheless, due to the condition of India's economy prior to the Covid-19 era, the issue may be more serious and long-lasting. After years of mediocre performance, India's economy had worsened substantially by the time the first Covid-19 case was revealed [13].

Ref [7] examine the influence of the pandemic on the SMEs between 28 March 2020 to 4 April 2020. The findings of the study indicated that initially, just several weeks into the downturn, huge losses and shutdown had already happened. Secondly, the likelihood of closure was inversely proportional to the projected duration of the crisis. Furthermore, businesses expressed significantly different perspectives on how long COVID-related interruptions would last. Moreover, many small

companies remain financially vulnerable: at the time of the study, the median organization with more than \$10,000 in monthly costs had just approximately two weeks of cash reserves. Finally, the majority of firms intended to use the Coronavirus Aid, Relief, and Economic Security (CARES) Act to obtain funds.

A recent survey conducted by Dun and Bradstreet provided crucial inferences regarding the influences of the pandemic on Indian Small businesses. For this purpose, the data was collected from several SMEs wherein half of the SMEs belonged to the manufacturing industry with an annual turnover of Rs 100-200 crores to comprehend their current situation. As per the poll, over 82 per cent of firms have suffered a detrimental effect, and 70 per cent estimate it would take over one year for demand to return to pre-COVID-19 levels. More efforts and aid, including government efforts, are expected by almost 60 per cent of the firms polled. According to the poll, financial liberalization, boosting overall efficiency, and having access to additional funding are the three leading obstacles that small firms face when trying to expand up.

Regardless of the fact that services continue to thrive in the global economy, the manufacturing sector outshines its contemporaries. It continues to be a major contributor to the productivity increase required to stimulate technical advancement, both of which are necessary for employment generation and well-being. This is particularly the case for emerging nations, making industrialisation a critical component of the Sustainable Development Goals achievement. As a result, signals emerging in the developing countries should be a matter of immense concern. Although data is limited, there exists information that the COVID-19 crisis has had a serious influence on SMEs and the informal sector in economically underdeveloped nations. A lengthy slump may be on the books with negative consequences for poverty eradication and growth initiatives unless authorities and global institutions move quickly to get important manufacturing sectors back in shape [20].

### **CORPORATE FINANCE AND SMES SUSTAINABILITY**

Several regional and global agencies have recently placed a greater emphasis on financing the sustainable activities of small and medium-sized businesses. As a result, a number of regulatory and assistance programmes have been developed to assist small and medium-sized businesses in making informed decisions that would ensure the corporation's smooth functioning [48]. Sustainable

Corporate Finance (SCF) is a multi-indicator strategy to corporate finance in which all societal, ecological, and financial aspects are interrelated and incorporated into an expressive system established between present and future generations [11]. According to ref [35], SCF is closely linked to social accountability investments, through the efficient and traditional utilization of synthesized financing intended at attaining greater productivity and sustainability while maintaining and reviving more income. For example, ref [22] argued that an SCF framework aids businesses in achieving balance as well as being unimpacted by the usage of excess debt. Because companies have internal funding benefits in markets connected with sustainability drives that assist in producing sustainable long-term revenues, [38] advocated organisational designs that are directly linked to early SCF choices. Moreover, the researcher asserted that firms need SCF to balance their societal, ecological, and financial aspects and progress closer to sustainability.

Concerning the practice of Corporate financing for Indian SMEs, it has been observed that in order to meet working capital needs, these SMEs mostly rely on internal financing from retained profits and external borrowing from a credit line. In monitoring working capital, Indian SMEs concentrate on the liquidity cycles and networking capital as critical value measures. Moreover, the procedures of financing vary widely among micro, small, and medium-sized businesses [5]. Regarding the financing opportunities for SMEs, the sources of finance depend upon the life cycle of the organisation. Particularly, the four stages of a firm are the “start-up, survival, growth, and sustenance”. During the first stage that is the “Start-up” stage, the firm gathers finance for the purpose of working capital generally from formal sources like public banks and informal sources like friends, family and predominantly the personal savings. Secondly, in the survival stage, enterprises approach the public banks and moneylenders and later the private banks and personal finance for funding the working capital requirements. In the growth stage, firms approach public banks for funding the requirements of collateral financing and the working capital. Finally, in the sustenance stage, the working capital requirements are fulfilled using finance received from cooperative banks, personal funds, finance from friends and family and public banks [41]. Furthermore, the factors that influence the decisions of capital structure within a firm involve tangibility, profitability, age, size, liquidity, growth, the ratios associated with cash-flows and ROE and the shield of non-debt tax [36]. Additionally, in a recent study

conducted by [8], the researchers tried to comprehend the financing decisions associated with Indian Manufacturing SMEs. The findings revealed that asset tangibility and leverage had a favourable connection. Moreover, the study proclaimed that leverage has a positive association with taxation and rate of growth, although this link was found to be statistically insignificant. Leverage was found to have an adverse correlation with the aspects of profitability, liquidity and age. Finally, empirical data displayed that liquidity, asset tangibility, and age of the firm are the most important elements in explaining Indian manufacturing businesses’ financial behaviour.

### **INITIATIVES UNDERTAKEN FOR ENSURING THE SURVIVAL OF SMES**

In terms of employment generation, production, and trade, MSMEs play a critical role in the economic development of India. However, it is a susceptible segment that may rapidly become volatile and unsustainable, especially in the face of exogenous shocks. In acknowledgement of these factors, on May 13, 2020, the finance minister presented a long-awaited assistance package for MSMEs to help them get through the Covid-19 lockdown-induced catastrophe. Recognizing the near-total breakdown of MSMEs’ economic operations, the central government has enacted a series of steps to assist this market segment. These include collateral-free automated loans worth Rs 3 lakh crores for over 5 months, completely backed by the government; subsidiary debt for distressed MSMEs and partial loan assurance programmes; and funding to offer equity for MSMEs seeking to register on the stock exchange. Although there is widespread consensus that the current economic downturn requires a demand-side response, the government has opted to inject liquidity, which is a supply-side tactic [18].

According to the Finance Commission of India, FY 2020-21 is highly unpredictable, and the outbreak has created an uncertain economic outlook for India's SME sector. COVID-19 has had a disproportionately negative impact on India's small and medium-sized businesses. As per the literature reports and other secondary reports, the submission of GST returns resulted in a working capital limitation for small business owners. Furthermore, it was concluded that the refusal of credit for GST input taxes resulted in a worsening of operations for SMEs [14]. Ref [37] suggested that due to employment losses, bad financial quarterly revenue, pay cutbacks, and decreased sales volume, the financial condition of SMEs in developing countries has grown unpredictable. During the pandemic, a

majority of 61 per cent of SMEs in India opted to reduce their respective scope of company activities. The most practical suggestion would be to exclude company owners from paying fines. In addition, after deducting ITC expenses, GST must be charged. It may be determined that filing GST returns quarterly rather than monthly is the most efficient strategy to implement the way founders of SMEs handle their operations. In addition, the researchers recommended using an auto-generated system to calculate GST and ITC charges and resetting the rate of interest subsidisation.

Despite its existence, crowdfunding in India is still in its infancy, restricted to donation and compensation crowdfunding of social and creative initiatives. Given the significant role and relevance of SMEs in economic growth and development, any progress in resolving the issues in terms of developing and obtaining substitute sources of funding should be closely monitored. Crowdfunding is a creative and fairly young idea that uses the Internet to link potential investors and startups. This approach enables entrepreneurs to generate funds over the Internet via an “open invitation” to support their initiatives, allowing them to raise the required capital through comparatively small contributions from a wide range of investors [19]. Indian regulators are working on regulations to incentivize and supervise financial return-based crowdfunding platforms. Crowdfunding might be a feasible alternative to the conventional sources of funding for the SME sector, which is experiencing financing issues in the present times of crisis [42].

### RESEARCH GAP

The onset of the COVID-19 pandemic has had a significant influence on global economic growth. In order to limit the spread of COVID-19 infection, governments throughout the world have instituted lockdowns and social-distancing measures, restricted borders, and cancelled public gatherings. The speculations regarding the pandemic and supply chain interruptions have exacerbated the demand and supply shock. The commercial activities of many companies have been severely disrupted, resulting in an unparalleled detrimental effect on global economic expansion. Each and every industry has been severely impacted by the crisis and the Indian SMEs are not an exception either. However, from the review of literature, it can be observed that not many studies have been conducted that have aimed to comprehend the impact of Covid-19 on the corporate financing of Indian SMEs. Furthermore, no study as per the researcher’s knowledge has been dedicated to affirming the influence of the pandemic on the

corporate financing decisions of the manufacturing SMEs in India. This study, therefore, aims to bridge this research gap and add crucial inferences to the existing literature in this domain.

### III. RESEARCH METHODOLOGY

The current paper aims to assess the perceptions of several Indian entrepreneurs and SME managers. It seeks to identify the challenges they face amidst the pandemic situation and provide recommendations for the same. Moreover, the primary aim of this research is to assess the impact of Covid-19 on the corporate financing of Indian SMEs with special reference to the Manufacturing sector. For this purpose, the primary data is collected using a quantitative approach. The questionnaire is developed on a 5 point Likert scale and aims to assess the perceptions of the entrepreneurs and the stakeholders of Manufacturing SMEs in India. The questionnaire consists of close-ended, structured questions, wherein the respondents are asked to choose from the given responses. Since a questionnaire technique is followed in the current study, a positivism paradigm is used along with a descriptive research design. The positivism paradigm includes reasonable testing, observational research, and the consistency of computational and numerical research. As a result, information is seen as an objective thing that cannot be altered or adapted. The foundation of this paradigm is that there is an exterior world in which individual and physical beings dwell. Thus, other units may be influenced by such entities [44], [21]. While, descriptive studies focus on demographic characteristics, identify issues within a particular unit, group, or organisation, and investigate differences in the features or practises of institutions. Descriptive research design is commonly used to explain the current environment in-depth or to describe current occurrences as they happen (Siedlecki, 2020). Furthermore, a random probability sampling method is used to select suitable respondents for the study. In the technique of random sampling, the researcher selects the participants of the research randomly and any individual within the population exhibits an equal chance of being chosen within the sample space. The simple random sampling method not only helps minimize uncertainty from the end of the researchers but also allows for quickly interpreting the findings [40]. Moreover, the sample for the current study consists of 100-120 entrepreneurs, managers, and the stakeholders of Manufacturing SMEs in India.

**STATISTICAL ANALYSIS**

The primary data collected through the questionnaire is exposed to several statistical tests with the help of tools like SPSS. The SPSS Program, also known as Statistical Product and Service Solutions, is a software package that can be used for data analysis [27]. SPSS is widely utilised in today’s modern statistical arena in a variety of disciplines, including educational psychology, health programs, survey businesses, market analysis, information retrieval, and more.

**IV. FINDINGS AND DISCUSSION**

**DEMOGRAPHICS OF THE RESPONDENTS**

- Out of the total respondents who participated in the study, 40.7 per cent of the respondents were male while 59.3 per cent of the respondents were female (Appendix A, Table 1).

- Furthermore, most of the respondents were entrepreneurs, managers, and stakeholders of Manufacturing SMEs in India (Appendix A, Table 2).
- The majority of the respondents (that is 32.7 per cent) had an experience of more than 7 years, followed by 29.3 per cent of the respondents having an experience of 5-7 years, while 21.3 per cent of respondents had an experience of 3-5 years (Appendix A, Table 3).

**STATISTICAL FINDINGS OF THE ANALYSIS**

The current study employed factor analysis and regression analysis in order to determine the economic impact of Covid-19 on the corporate financing of Indian SMEs. It was found that the cashflows of the corporations have been significantly impacted by the Covid 19 crisis (Appendix B, Table 1).

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Corporations cash flows have been severely impacted by the pandemic	91.77	133.720	.138	.847
The economic impact of the crisis is short term and temporary.	91.75	132.496	.212	.843
The economic impacts of covid 19 on corporate financing will be long term and will lead to financial distress.	91.77	130.516	.332	.839

The major challenge faced by the SMEs due to the crisis will be the equity shortfalls for firms in the long term	91.61	135.084	.113	.847
The major challenge faced by the SMEs due to the pandemic will be to deal with debt overhanging in the long term.	91.67	132.989	.210	.843
The pandemic has a significant impact on the debt restructuring of SMEs.	91.69	132.617	.213	.843
The ability of businesses to service their debt and obligations has been significantly impacted due to the pandemic.	91.69	133.597	.175	.844

This finding is similar to the findings of Ref [28] who suggest that the manufacturing sector SMEs have been detrimentally affected by the cash flow issues and problems associated with marketing and sales. Furthermore, both the aspects that “the economic impact of the crisis is short term and temporary” and “the economic impacts of covid 19 on corporate financing will be long term and will lead to financial distress” were found to be significant (Appendix B, Table 1). Similar assertions can also be observed in the results portrayed by [13] wherein the researchers suggest that the demand and supply interruptions, as well as the resulting economic downturn, has impacted India severely and is serious and long-lasting due to India’s weak performance prior to the emergence of Covid-19 crisis. Ref [7] also suggested that the businesses expressed

significantly different perspectives on how long COVID-related interruptions would last. Moreover, the current study indicated that the major challenges faced by the SMEs due to the crisis will be the equity shortfalls for firms in the long term (Appendix B, Table 1). The survey findings of Dun and Bradstreet also suggest that manufacturing SMEs have suffered a detrimental effect, and it would take over one year for demand to return to pre-COVID-19 levels. Moreover, the study asserted that some firms may suffer more drastically because these firms have business models that are incompatible with social distancing (Appendix B, Table 1). This finding is similar to the findings of [20], wherein the researchers stated that the COVID-19 crisis has had a serious influence on SMEs and the informal sector in economically underdeveloped nations. In this context, [15] also affirmed that due to the COVID-19 pandemic outbreak, many SMEs have been shuttered

forcibly, resulting in a unique suspension of operations in various markets segments, particularly in the manufacturing industry.

Moreover, concerning the sources, issues and challenges pertaining to Corporate Finance for Indian SMEs amidst the COVID-19 pandemic, it was found that External funding is not crucial in the current scenario (Appendix B, Table 2).

<b>Item-Total Statistics</b>				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Some firms may suffer more drastically because these firms have business models that are incompatible with social distancing.	91.75	131.130	.307	.839
External funding is crucial in the current scenario	91.61	134.885	.124	.846
External funding implies high leverage which can hamper new funding.	91.79	126.290	.413	.836
Funding can be easily obtained by drawing down lines of credit from banks	91.73	127.002	.442	.834
Funding can be easily obtained by accessing the public markets.	91.74	124.046	.643	.828



Small companies have become financially vulnerable due to limited cash reserves	91.59	129.129	.363	.837
SMEs are currently facing the challenge of seeking funding at an optimal cost of capital	91.64	124.903	.585	.829
Due to the market abnormalities it has become challenging to invest the revenue raised in high-performing assets	91.69	122.429	.636	.827

The finding is contrary to the results of the study conducted by [5] wherein the researchers suggested that in the context of Corporate financing for Indian SMEs, it has been observed that in order to meet working capital needs, the SMEs mostly rely on internal financing from retained profits and external borrowing from a credit line. Moreover, [41] also asserted that during the sustenance and

survival stages the SMEs' Corporate Financing depends on external funding.

Additionally, the current study suggests that the initiatives undertaken by the Government to finance SMEs and assist them in mitigating the COVID-19 pandemic's impact are not statistically significant (Appendix B, Table 3).

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted

Due to low profitability, the SMEs have failed to ensure that returns are distributed across diverse capital providers	91.72	127.532	.432	.835
The government has undertaken several initiatives like providing collateral-free automated loans.	91.75	125.721	.452	.834
The Government has made provisions for availing subsidiary debt.	91.73	127.002	.442	.834
The Government has proposed to offer to fund for equity for SMEs seeking to register on the stock exchange.	91.73	124.318	.638	.828
The government has launched several COVID-19 Government Financing Support Programmes for Businesses.	91.58	129.346	.362	.837
Government has undertaken several initiatives of Income supports for SMEs.	91.65	124.646	.586	.829

The Government has provided easy access to loans, grants, vouchers and schemes.	91.67	123.134	.624	.827
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This finding is contrary to the results of the study conducted by [18] wherein it was found that to counter the breakdown of MSMEs’ economic operations, the central government has enacted a series of steps to assist this market segment like collateral-free automated loans, subsidiary debt for distressed MSMEs and partial loan assurance programmes; and funding to offer equity for MSMEs seeking to register on the stock exchange.

#### V. SIGNIFICANCE OF THE STUDY

The current study aims to comprehend the economic impact of Covid-19 on the corporate financing of Indian SMEs. The study investigates the sources, issues and challenges pertaining to Corporate Finance for Indian SMEs amidst the COVID-19 pandemic and comprehends the initiatives undertaken by the Government to finance SMEs. The study proves to be significant for the Indian Manufacturing SMEs, policy-makers, and the decision-makers who aim to improve corporate financing of Indian SMEs amidst the COVID pandemic. The research has further identified the social and practical aspects of the current practices in corporate financing, which in turn encourages scholars, scientists, and researchers to make progress in this subject field. The present research study contributes to the existing literature and also tries to add new theories to the same.

#### VI. CONCLUSION AND RECOMMENDATION

##### RECOMMENDATIONS

It can be recommended that;

- The government should take several initiatives for ensuring the Corporate Financing needs of Indian SMEs amidst the COVID-19 pandemic like collateral-free automated loans, subsidiary debt for distressed MSMEs, partial loan assurance programmes; and funding to offer equity for MSMEs seeking to register on the stock exchange.
- Furthermore, initiatives like charging GST after deduction of ICT expenses must be considered.
- Regulations pertaining to crowdfunding for financing the Indian SMEs must be employed in order to provide alternate sources of financing to Indian SMEs amidst the COVID-19 crisis.

##### CONCLUSION

To sum up, it can be asserted that the corporations’ cash flows have been severely impacted by the pandemic. However, some of the respondents believe that the economic impact of the crisis is short term and temporary, while others believe that the economic impacts of covid 19 on corporate financing will be long term and will lead to financial distress. Moreover, the major challenge faced by the SMEs due to the crisis will be the equity shortfalls for firms in the long term. Also, it was asserted that some firms may suffer more drastically because these firms have business models that are incompatible with social distancing. Apart from this, it was found that the initiatives undertaken by the Government to finance SMEs and assist them in mitigating the COVID-19 pandemic’s impact are not statistically significant.

### QUESTIONNAIRE

**Part 1- Demographic Profile**

Please respond to the questions below by ticking in the boxes provided

<b>1. Name of the respondent (optional)</b>	
<b>2. Gender</b>	<input type="checkbox"/> Male  <input type="checkbox"/> Female
<b>3. Designation</b>	
<b>4. Years of experience</b>	<input type="checkbox"/> Below 1 year  <input type="checkbox"/> 1 - 3 years  <input type="checkbox"/> 3 - 5 years  <input type="checkbox"/> 5 - 7 years  <input type="checkbox"/> Above 7 years

**Part 2: The economic impact of Covid-19 on the corporate financing of Indian SMEs**

The table below consists of certain statements related to the economic impact of Covid-19 on the corporate financing of Indian SMEs. On a scale of 1-5, please indicate the degree to which you agree to the statements given below based on your experience (1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree and 5=Strongly agree).

Statements	1	2	3	4	5
1. Corporations cash flows have been severely impacted by the pandemic.					

2. The economic impact of the crisis is short term and temporary.					
<b>3. The economic impacts of covid 19 on corporate financing will be long term and will lead to financial distress.</b>					
<b>4. The major challenge faced by the SMEs due to the crisis will be the equity shortfalls for firms in the long term.</b>					
5. The major challenge faced by the SMEs due to the pandemic will be to deal with debt overhanging in the long term.					
6. The pandemic has a significant impact on the debt restructuring of SMEs.					
7. The ability of businesses to service their debt and obligations has been significantly impacted due to the pandemic.					
8. Some firms may suffer more drastically because these firms have business models that are incompatible with social distancing.					

**Part 3: The sources, issues and challenges pertaining to Corporate Finance for Indian SMEs amidst the COVID-19 pandemic**

The table below consists of certain statements related to the sources, issues and challenges pertaining to Corporate Finance for Indian SMEs amidst the COVID-19 pandemic. On a scale of 1-5, please indicate the degree to which you agree to the statements given below based on your experience (1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree and 5=Strongly agree).

Statements	1	2	3	4	5
1. External funding is crucial in the current scenario.					
2. External funding implies high leverage which can hamper new funding.					
3. Funding can be easily obtained by drawing down lines of credit from banks					

4. Funding can be easily obtained by accessing the public markets.					
5. Small companies have become financially vulnerable due to limited cash reserves					
6. SMEs are currently facing the challenge of seeking funding at an optimal cost of capital.					
7. Due to the market abnormalities it has become challenging to invest the revenue raised in high-performing assets.					
8. Due to low profitability, the SMEs have failed to ensure that returns are distributed across diverse capital providers.					

**Part 4: The initiatives taken by the Government to finance SMEs and assist them in mitigating the impact of the COVID-19 pandemic.**

The table below consists of certain statements related to the initiatives taken by the Government to finance SMEs and assist them in mitigating the impact of the COVID-19 pandemic. On a scale of 1-5, please indicate the degree to which you agree to the statements given below based on your experience (1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree and 5=Strongly agree).

Statements	1	2	3	4	5
1. The government has undertaken several initiatives like providing collateral-free automated loans.					
2. The Government has made provisions for availing subsidiary debt.					
3. The Government has proposed to offer to fund for equity for SMEs seeking to register on the stock exchange.					
4. The government has launched several COVID-19 Government Financing Support Programmes for Businesses.					
<b>5. Government has undertaken several initiatives of Income supports for SMEs.</b>					

6. The Government has provided easy access to loans, grants, vouchers and schemes.					
7. The Government has launched initiatives to ensure rates waiver and tax measures for SMEs.					
8. The Government has excused the company owners from paying fines in the present times of pandemic.					

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