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Study of corporate finance and its performance during the Covid-19 period

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ABSTRACT

From large, multibillion dollar multinationals to the local grocer around the corner, businesses are faced with financial decisions daily. Whether deciding on an investment, being active in the stock market or investing in companies, create the best portfolio of assets possible. To succeed in business, every future manager must be able to master the fundamentals of corporate finance. Corporate financial decisions are not made at random, but are usually deliberate decisions by the company or its managers to choose their own preferences.

A company's financial performance is an overview of a report on a company's financial position over time to understand the company's success and profitability in generating revenue. These metrics include sales growth, profitability (as reflected by ratios such as return on investment, return on sales, and return on equity), share price, earnings per share, and more. Currently, the global economy is facing economic challenges and the presence of the coronavirus (COVID-19) has had a severe impact on healthcare, economy, transportation, etc. in different industries and regions. Assessing the impact of major public health emergencies on business performance is essential in these difficult economic times, as emitters are fundamental components of national economies. According to the survey, factors internal to the financial system may have been the main cause of the economic slowdown in recent years.

Almost all industrial sectors are affected, including the telecommunications sector. This article aims to understand business finances and performance during Covid19 gathered from various relevant sources. This study was designed according to a qualitative approach through a review of the literature. The financial performance of the company is examined by reading and analyzing 6 peer reviewed journal articles and summarized in two tables, the distribution of journal articles and publishers and the category of articles according to subject.

I. INTRODUCTION

Big business means big money. At least that's what they always say. Of course, when you're an integral part of your company's financial decision-making process, there never seems to be enough money. When you work for a small business, especially a startup, nobody seems to want to give you money or start a business for you. Sometimes it looks like a win-win situation.

We need money to grow and provide our products or services to generate income - we need money to make money.

Never be afraid. Business owners and business leaders have faced this problem ever since humans first came up with the idea of doing business. One of the advantages of today's modern business owner or business leader is the ability to find funds from more sophisticated sources as well as seek funding from more defined and established funding streams.

Corporate finance is the area of finance that deals with financing a business and the sources of finance. These resources provide companies with the capital needed to pay for structural improvements, expansions and other value-added projects and venture capital. Capital is a commodity that can be used immediately. This lesson will deal primarily with money. The objective of corporate finance is to maximize shareholder value.

Companies can use various methods to maximize shareholder value.

Currently, the global economy is facing economic and financial challenges, and the emergence of the coronavirus (COVID-19) has had a serious impact on health care, economy, transportation and other fields in various industries and regions. At the end of 2019, rumors from China began to circulate. A new virus has begun to spread, causing what has been described as "severe pneumonia" and leading to an unusually high death rate among the elderly and the most vulnerable in society. During the first quarter of 2020, and

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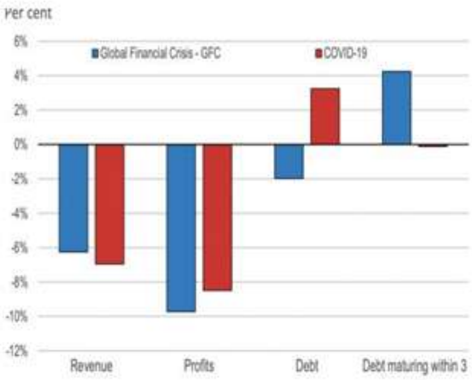
throughout the timeline described, COVID-19 (dubbed "coronavirus disease 2019") grew from a small market in Wuhan, China, to causing international social distancing and household isolation, with enormous social, political and economic consequences (Goodell, 2020; Sharif et al., 2020) The projected disruptive impact on the economy is unprecedented since the depression of the 1920s Baldwin and di Mauro (2020). However, in this chaos, anomalies began to appear. The brand with the "coronavirus" namesake has begun reporting unusual losses and a continued period of trading volatility. As financial market conditions have deteriorated severely, some companies have come under additional pressure simply because their names or product libraries somehow contain the word "corona."

Therefore, it is essential to measure the achievement of organizational goals, policies and operations in monetary terms. Financial performance is one of the most important characteristics that determine the competitiveness, business potential and financial interest of the management of the company, as well as the reliability of current or future entrepreneurs. Good financial performance rewards shareholders for their investment. The financial performance of a company is measured by the improvement in the situation of the shareholders at the end of the period compared to the beginning, which can be determined using ratios in the financial statements; primarily balance sheets and income statements, or using stock price data.

Financial performance can be measured by various financial measures such as profit after tax, return on assets (ROA), return on equity (ROE), earnings per share and any recognized market value ratio.The higher the return on equity, the better the performance of the company. The higher the debt ratio, the greater the company's dependence on the outside world (creditors) and the greater the inevitable increase in the debt burden (interest costs). A higher cash ratio reflects a company's growing ability to meet its liquidity obligations, thereby increasing profits and attracting investment from investors. Stocks in the compact telecommunications sector have seen a positive development in 2019.



II. LITERATURE REVIEW

This study uses qualitative methods through a small-scale examination approach. This review of corporate financial performance research was conducted by reading and analyzing 6 peer-reviewed journal articles. These items are summarized in the table below. The first table displays information about the title, author, publisher, and year of publication of a journal article. The second table represents the content of the review article, including research objectives, findings, and recommendations.

Table 1 presents a summary of article titles, authors, journals, publishers and years collected from various sources of corporate financial performance.

No	ArticleName	Author(s)	Journal	Publisher	Year
1	The contagion effects of beingnamed Corona during theCOVID-19pandemic	ShaenCorbet, YangHou, Yang Hu, BrianLucey, LesOxley	FinanceResearch Letters	Elsevier	2020

2	The Determinants of FinancialPerformance: A ComparativeAnalysis BetweenConventional and IslamicMalaysian Banks	MkadmiJamel Eddine	Journal ofSmartEconomicGrowth	JSEG Institution	2020
3	Dividend Policy andCompanies' FinancialPerformance	RaedKanakriyah	Journal ofAsian Finance,Economics,andBusiness	KoreaDistributionScienceAssociation	2020
4	Economic growth andfinancial performance ofIslamic banks: a CAMELSapproach	Mohammed AyoubLedhem and MohammedMekidiche	IslamicEconomicStudies	EmeraldInsight	2020
5	Capital Structure andFinancial Performance:ACase ofthe SaudiPetrochemicalIndustry	AnisALI,ShahaFaishal	Journal ofAsian Finance,Economics,andBusiness	KoreaDistributionScienceAssociation	2020
6	Determinants of FinancialPerformance of Microfinance BanksinKenya	King'ori, S. NgumoKioko, W. CollinsShikumo, H.David	ResearchJournal ofFinance andAccounting	IISTE InternationalKnowledge-SharingPlatform	2017

Table 2 below displays the summary of article names, objectives, findings, and recommendations collected fromvariouscorporatefinancial performancesources.

No	ArticleName	Objectives	Findings	Recommendations
1	The contagion effects ofbeing named Corona duringtheCOVID-19 pandemic	To investigate thecontagion effects ofbeingnamedcoronaduring theCOVID-19 pandemic	The results show thatbrand salience is animportant pricingelement for companies.They found a negative knock-on effect fromthe coronaviruspandemic on somecompanies with relatednames, over and abovethe actual economiceffects. While suchcompanies have not inany waybeenconnected orresponsible for theCOVID-19 outbreak,they appear to haveunfortunately been thetarget of	

			sustainedreputationaldamage.	
2	The Determinants ofFinancial Performance: AComparative Analysis BetweenConventional and IslamicMalaysian Banks	To examinewhether there is adifference betweenthe financialperformance of theIslamic andConventionalBanksinMalaysia.	To sum up, the resultsshow that in terms ofcapital structure andperformance ratios, theIslamic andconventional MalaysianBanks have astatistically significantdissimilarity. Indeed, MalaysianIslamic Banks are lessefficient and riskierthan their conventionalcounterparts.	
3	Dividend Policy andCompanies' FinancialPerformance	To determine thenatureoftheassociationbetween dividendpolicy andacorporation'sfinancialperformance inemergingcountries, as wellas the mainvariables that mayaffect financialperformance.	The researcherrecommends thatcorporate managementsearch for investmentswith high profitabilityaswell as to benefit from externalfinancing because itprovidesthe necessary funds so thatthe company maintainsarate ofgrowthcharacterizedby stability whichenablesit to distribute cash toshareholders	Future studies canconsider applying morecontrol variables toenhance and make theresultstougher and stronger, such asboard structure, earningsper share, governance techniques,capital structure, andinternalor external auditing, risk, andcorporateprofitability
4	Economic growth andfinancial performance ofIslamic banks: a CAMELSapproach	To investigate thelink between thefinancialperformance ofIslamic finance andeconomicgrowthinall of Malaysia,Indonesia, Brunei,Turkey, and SaudiArabiawithin the endogenous growthmodelframework.	The findingsdemonstrated that theonly significant factorof the financialperformance of Islamicfinance, which affectsendogenous economicgrowth, is profitabilitythrough return onequity (ROE). Theexperimentalfindings also indicated thenecessityofstimulating	

5	Capital Structure andFinancial Performance:ACase ofthe SaudiPetrochemicalIndustry	To investigate andmeasures theimpact of capitalstructure,profitability, andfinancialperformance on thesuccessofthe businessorganization.	The capital structure of thebusiness organizationrefers to the proportionof external funds andinternalfunds.	
6	Determinants of FinancialPerformance ofMicrofinance Banks inKenya	To investigatedeterminants ofthe financialperformance ofmicrofinance banksin Kenya	The findings of thestudy established thatoperational efficiency, capitaladequacy, and firm sizesignificantly andpositively influencesthe financialperformance ofmicrofinance banks inKenya.	

Research methodology

The use of the Internet for marketing research was first just a novel information source. No longer limited to surveys, research may now be conducted directly through focus groups and in-depth interviews.

Companies must stay relevant and take advantage of any new opportunities to boost sales, marketing, and there financial statement since the world and technology are always evolving. Company now have the ability to research and analysis there finance. As a result, a lot of businesses today had able to tackle from such huge pandamic.

Objectives

1.Understanding what is corporate finance.

2. Understandingwhat are the 3 main areas of corporate finance?

3.Affect in corporate finance during covid 19.

Research Type

For this particular study, the data was secondary in nature, collected through secondary data analysis.

The aim of the study was to obtain ethnographic information about the common practices and beliefs of a specific population group, and qualitative techniques were used to achieve this. It is easier to make inferences from the responses using this strategy because it is less structured and more explanatory.

What is corporate finance?

Corporate finance is a subfield of finance that deals with how businesses manage sources of funding, capital structures, accounting, and investment decisions.

Corporate finance is generally concerned with maximizing shareholder value through long-term and short-term financial planning and the implementation of various strategies. Business financing activities range from capital investment to tax considerations.

Corporate Finance also includes tools and analytics to prioritize and allocate financial resources.

The ultimate goal of corporate finance is to maximize business value through planning and resource allocation while balancing risk and profitability.

Three Important Activities in Managing a Business's Finances:

Capital and Capital Budgeting

Capital and capital budgeting includes planning where to put a business's long-term capital assets to produce the returns highest risk-adjusted. This primarily involves the decision whether or not to pursue investment opportunities and is done through in-depth financial analysis.

Businesses use financial accounting tools to determine capital expenditures, estimate cash flows for proposed capital projects, compare planned investments to projected revenues, and decide which projects to include in the capital budget.

Financial models are used to estimate the economic impact of investment opportunities and compare alternative projects. Analysts often use a

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combination of internal rate of return (IRR) and net present value (NPV) to compare projects and select the best.

Capital Financing

This core activity includes decisions on how best to finance capital investments through equity in the business, debt, or a combination of both. Long-term financing of capital expenditures or large investments can be obtained by selling shares of companies or by issuing bonds in the market by investment banks.

The balance between the two sources of funding (equity and debt) must be carefully managed, as too much debt increases the risk of default, while too much reliance on equity dilutes returns and value for initial investors.

Ultimately, the job of the corporate finance professional is to optimize a company's capital structure by minimizing the weighted average cost of capital (WCA).

Dividends and return on capital.

Retained earnings not distributed to shareholders can be used to fund business expansion. It's usually the best source of capital because it doesn't create additional debt or dilute equity value by issuing more stock.

Ultimately, if business leaders think they can earn a rate of return on capital investment that exceeds the company's cost of capital, then they should pursue it. Otherwise, they would have to return excess capital to shareholders through dividends or share buybacks.

How important is a company's capital structure in corporate finance?

A company's capital structure is critical to maximizing business value. Its structure can be a combination of long-term and short-term debt and/or common and preferred stock. The relationship between a company's liabilities and its equity is often the basis for determining how balanced or risky a company's capital funding is.

Companies that rely heavily on debt financing are considered to have more aggressive capital structures and therefore may present greater risks to stakeholders.

However, taking that risk is often the main reason a business grows and succeeds.

What is corporate finance used for?

The corporate finance department of acompany focuses on making sound decisions for profitable financial results. Thus, corporate finance involves activities related to capital budgeting, debt and equity used to fund operations, working capital management, and shareholder dividends.

What are the three main areas of corporate finance?

The main area of corporate finance is capital budgeting (eg., to invest in business projects), capital financing (determining how to finance projects/operations) and working capital management (managing assets and liabilities to operate effectively).

III. RESULTS AND DISCUSSION

This study aims to understand the financial performance of companies during Covid-19 collected from various relevant sources. The financial performance of a business can be measured by reporting its financial condition over time to determine the success and profitability of the business in generating revenue . These metrics include sales growth, profitability (reflected by ratios such as return on investment, return on sales, and return on equity), share price, earnings per share, and more. As we all know, the global economy was facing economic challenges due to the presence of the Coronavirus (COVID-19) which has had a severe impact on healthcare, economy, transportation, etc. in different industries and regions .

Therefore, assessing the impact of major public health emergencies on business performance in times of economic hardship is crucial, as emitters are fundamental components of national economies . Drawing on several published articles on business performance, the study found that financial results can provide useful heuristics for economic sentiment. However, using financial performance as a heuristic is not without effect. Financial performance is used to measure overall economic performance.

Policymakers are likely to adopt policies that encourage financial growth .so, by improving stock returns, companies should not rely on corporate social responsibility programs and instead focus on improving corporate financial performance. The company management should seek out highly profitable investments and benefit from external financing as it provides the necessary financing to maintain a stable growth rate and allows shareholders to distribute cash.Also brand familiarity is an important price attribute for companies. The impact of the coronavirus pandemic has proven to be detrimental to some of the companies with the same name, not just the actual economic impact. Although these companies have no connection or responsibility to the COVID-19 outbreak, they unfortunately appear to have suffered ongoing reputational damage.

Their research shows that this knowledge reveals an important relationship between filmmakers (actors, producers, directors) and the profits of Nollywood cinemas. Liu 2020 found that a company's environmental performance is significantly positively correlated with its financial performance. It also suggests that a proactive environmental management strategy can often help improve future financial performance (ie, being green pays off).

However, not all industrial sectors can emulate this strategy and benefit from the implementation of environmental management strategies. Additionally, Mardawiyah (2020) adds that post-acquisition financial performance has improved, especially in terms of profitability and business.

IV. CONCLUSION

In my opinion, corporate finance is one of the most important areas of a business because issues such as financing, capital structure, and investment decisions are critical to the success of a business. As all focuses on maximizing shareholder value through long-term and short-term financial planning and implementing various strategies while balancing risk and return, that helps differentiate them from the competition. Also, I believe that all different forms of business have their pros and cons. It depends on the size of the business, number of partners, responsibilities, taxes, fundraising capabilities, and organizational and management structure. Considering all these points, a decision must be made.

For example, responsibility - what risk am I willing to take? The responsibilities include different aspects such as the relationship between the partners, the risks of the market itself, the number of employees and the personal circumstances (family, family, children). It helps to make a decision considering all the points mentioned and weighing which shape makes the most sense.

The result of this study is that the government must maintain economic stability by focusing on the issue of the Covid-19 virus pandemic as it has a significant impact on its economy. There are some barriers to data collection, such as lack of updates, incomplete financial reports. In conclusion, this study finds that the role of government in the response to the Covid-19 pandemic is important so that all sectors can be saved and the transition period accelerated by creating favorable economic conditions.

The primary source of corporate finance is either equity or preferred stock. Their capital provides you with short-term security. For example: if they haven't made a profit for a few years, they won't pay a dividend. However, equity has advantages and disadvantages. It's best to understand all sources of funding for a business and research the pros and cons before making a final decision.

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