

Effect of COVID-19 on the Financial Performance of Indian Public Family Firms

Juili Ballal & Varadraj Bapat

This study investigates the effects of the COVID-19 pandemic on the financial performance of Indian companies. Using multiple regression analysis on a sample of 2154 public companies, the study determines the effects of the pandemic on the financial performance measured by Return on Assets (ROA). Findings reveal that there was an improved performance in the post-pandemic year. It is also observed that the family firms outperformed their non-family counterparts. Family ownership, liquidity, size, and revenue growth positively affect firm ROA while leverage has a negative effect. Age and receivables turnover has no significant effect. Similar trends are witnessed when the performance is measured using Return on Equity (ROE).

Juili Ballal (E-mail: juili.ballal@som.iitb.ac.in) is Research Scholar & **Varadraj Bapat** (E-mail: varadraj@som.iitb.ac.in) is Professor, Shailesh J Mehta School of Management, Indian Institute of Technology Bombay, Powai, Mumbai 400076.

Introduction

The first official case of COVID-19 was reported in Wuhan, China, on December 31, 2019. Since then, COVID-19 has impacted millions of human lives the world over and had severe economic impacts (Rababah et al., 2020). Research studies in the context of the economic and financial impacts of COVID-19 so far have mainly focused on the macro-levels of the economy (Apergis & Apergis, 2020; Gil-Alana & Monge, 2020; Goswami et al., 2021; Njindan Iyke, 2020). Rather than studying the macro-level impacts, we focused on the financial performance of the Indian public companies. Secondly, we undertake a comparative analysis of family and non-family firms to understand which of them dealt with the pandemic better.

India is considered the most affected developing economy from the first wave of the pandemic (Jose et al., 2021). The Indian Ministry of Statistics, on September 1, 2020, released the GDP figures for Q1 (April to June) FY21, which indicated a 24 percent fall

compared to Q1FY20. During the same period, the world GDP shrank by 7.2 percent.¹ The Indian stock markets also experienced a significant setback just after COVID-19 was declared a global pandemic by the WHO on March 11, 2020. Sensex and Nifty tanked by 9 percent each intra-day and recorded their biggest one-day fall in absolute terms.²

The reaction of the markets to COVID-19 (Alam, Alam & Chavali, 2020; Alam, Wei & Wahid, 2020; Anh & Gan, 2020; Chaudhary, Bakhshi & Gupta, 2020; Cui, Kent, Kim & Li, 2021; Erdem, 2020; Insaideo, Arthur, Amoako & Andoh, 2021; Lin & Falk, 2021; Liu, Wang & Lee, 2020; Liu, Yi & Yin, 2021; Narayan, 2020; Takyi & Bentum-Ennin, 2021), coping strategy to deal with the pandemic (Nguyen, Ngo & Tran, 2021) and its effect on financial performance (Rababah et al., 2020; Shen, Fu, Pan, Yu & Chen, 2020; Zheng, 2021) have been studied separately in the literature.

In India, the impact of COVID-19 on MSMEs has been studied, mainly focusing on their imports and exports (Bhasin & Kumar, 2021). Alam, Alam, Alam, & Chavali (2020) and Rao et al. (2021) analyzed the pandemic effect on stock market performance. However, there has been no study that examines

the effect of COVID-19 on the financial performance of publicly-traded Indian companies, with a focus on family firms. Family business is the most prevalent form of business organization worldwide (Poutziouris, 2004). In India too family firms are leading business enterprises (Mittal & Lavina, 2018) since most businesses are family-controlled (Mondal & Chakraborti, 2020). India boasts a long history of family and community-based firms (Chittoor & Aulakh, 2015). These firms have a tremendous impact on the national employment, gross national product, and wealth creation (Mondal & Chakraborti, 2020). Family businesses contribute to around 79% of India's GDP³. Given the importance of family firms in India, this paper investigates the impact of COVID-19 on their financial performance.

The contributions of our research are as follows. First, this study contributes to the existing literature on the effect of COVID-19 on the financial performance of public companies. Second, it undertakes a comparative performance analysis of family and non-family firms to see which type of business organization coped well with the pandemic. Our findings reveal that the Indian public companies performed better in the post-pandemic year than in the pre-pandemic period. It was observed that family firms outperformed their non-family counterparts among the companies.

¹ https://www.business-standard.com/article/economy-policy/global-gdp-shrinks-7-2-in-april-june-2020-due-to-covid-19-motilal-oswal-120092500577_1.html

² https://www.business-standard.com/article/markets/market-live-markets-sensex-nifty-bse-nse-coronavirus-dow-jones-oil-120031200172_1.html

³ https://www.alvarezandmarsal.com/sites/default/files/77597_tag_india_familybusinessreport_05_singles.pdf

Literature Review & Hypotheses Development

COVID-19 has had a severe impact on different countries worldwide, not only in terms of deaths but also in terms of economic decline. Several companies have gone bankrupt due to a lack of economic activities resulting from strict

lockdown (Tucker, 2020). Many studies have examined the effect of COVID-19 on the financial performance of public companies. ROA and ROE are the common financial performance metrics used in these studies. Table 1 presents the empirical studies on COVID-19 and the financial performance of listed companies.

Table 1 Empirical Studies on COVID-19 & Financial Performance of Listed Companies

No.	Authors' Name and Year	Sample	Research objective	Findings
1	Amore et al. (2021)	Italy	To study the impact of families in ownership and governance positions on stock-market and accounting performance during the COVID-19 pandemic.	Family-owned Italian firms outperformed their non-family counterparts because of their long term outlook with respect to decision-making, high reputational concerns, better access to resources from banks and the political sector and a strong attachment to the business - which raised the motivation to keep the business in effect.
2	Rababah et al.(2020)	China	To study the pre and post effects of COVID-19 on corporate performance.	Small and medium-sized companies are most affected by the pandemic. The serious-impact areas and industries which were worst hit by the COVID-19 experienced a sharper decline in financial performance as compared to other industries.
3	Fu & Shen (2020)	China	To investigate the effect of COVID-19 on corporate performance of energy companies in China.	COVID-19 has an adverse effect on the corporate performance of Chinese energy companies. There was a decline in the industry performance in the first quarter of 2020. The pandemic negatively affected goodwill impairment, the productivity, and revenues.
4	Shen et al. (2020)	China	To study the impact of COVID-19 on corporate performance of Chinese listed companies.	COVID-19 has a negative impact on firm performance. The negative impact of COVID-19 on firm performance is more pronounced when a firm's investment scale or sales revenue is smaller. The negative impact of COVID-19 on firm performance is more pronounced in serious-impact areas and industries.

5	Zheng (2021)	USA	To study whether corporate cash holdings can mitigate the adverse effect of the COVID-19 pandemic on firms' performance	Corporate investment, profitability, financing activity, and payout policy are negatively affected by the pandemic. There is a strong positive relation between the corporate pre-COVID cash reserve and firm performance. The positive effect of cash holdings on firm performance is more pronounced when the overall market condition is bad.
6	Atayah et al. (2021)	G-20	To study the interrelationship between the financial performance of listed logistics firms and the COVID-19 and compare the logistics firms' financial performance of G-20 countries during the pandemic period	The financial performance of logistic firms was significantly higher during 2020. Overall, the country-wise findings corroborated with the main results and the financial performance of 14 countries' logistic firms out of 20 ones analysed has been significantly elevated, during the pandemic period. However, there was a negative financial performance of the logistics firms during the COVID-19 period in six countries (Germany, Korea, Russia, Mexico, Saudi Arabia and the UK).

Fu and Shen (2020) investigated the effect of COVID-19 on the corporate performance of Chinese energy companies. They found an adverse effect on the performance of these companies. There was a decline in the industry performance in the first quarter of 2020. COVID-19 negatively affected productivity, which resulted in dwindling revenues. The companies also failed to cover the fixed cost, leading to poor corporate performance. Additionally, the pandemic also negatively affected the goodwill impairment of the companies.

Shen et al. (2020) studied the impact of COVID-19 on the corporate performance of Chinese listed companies. They found that COVID-19 hurt firm performance. The negative impact of COVID-19 on firm performance was more pronounced when a firm's investment scale

or sales revenue was smaller. Additionally, they observed that the negative impact of COVID-19 on firm performance was more pronounced in serious-impact areas and industries.

Rababah et al. (2020) also looked at the corporate performance of the Chinese listed companies, but they studied the pre and post effects of COVID-19. They found that the small- and medium-sized companies were the most affected. Moreover, they reveal that serious impact areas and industries which were worst-hit by COVID-19 experienced a sharper decline in financial performance compared to other industries.

There are certain commonalities among the previous three studies. First, they use ROA and ROE to measure the firm performance. Second, they use the

same DID (difference-in-difference) modeling method to posit their findings. Third, they undertake their studies among the Chinese companies.

In a different study, Hu and Zhang (2021) undertook a cross-country comparison to examine the pandemic effect of COVID-19 on firm performance. Using financial data of 16,148 firms across 107 countries/economies, they found that firm performance deteriorates during the COVID-19 pandemic. The adverse effects of COVID-19 on firm performance are less pronounced in countries with better healthcare systems, more advanced financial systems, and better institutions.

In another cross-country study, Atayah et al. (2021) investigated the relationship between the financial performance of listed logistics firms in G20 countries and COVID-19. They observed that the financial performance of logistic firms was significantly higher during 2020. Overall, the country-wise findings corroborated with the main results, and the financial performance of 14 countries' logistic firms out of 20 analyzed has been significantly elevated during the pandemic. However, there was a negative financial performance of the logistics firms during the COVID-19 period in six countries (Germany, Korea, Russia, Mexico, Saudi Arabia, and the UK).

Based on the literature, we hypothesize,

H1: Indian public companies experienced an improvement in financial performance post-pandemic.

Family Firms' Financial Performance

The available studies investigating the family firms during COVID-19 have adopted a qualitative methodology, with one quantitative study in the Italian context. There are studies on the effect of COVID-19 on corporate social responsibility (Rivo-López, Villanueva-Villar, Michael-Álvarez & Reyes-Santías, 2021), market practice (Hermawan, Raedianty, Syahlan & Maharani, 2020), family firms' resilience to cope with the pandemic (González & Pérez-Uribe, 2021), family firms' ability to preserve socioemotional wealth (Firfiray & Gomez-Mejia, 2021), family firms' ability to cope with the crisis (Kraus et al., 2020). In addition, theoretical works put forth the research questions that can arise after the pandemic in the family business context (De Massis & Rondi, 2020).

The family-owned Italian firms outperformed their non-family counterparts.

Amore et al. (2021) undertook a comparative study to analyze the performance of publicly-traded family and non-family firms in Italy. They studied how families in ownership and governance positions affected the stock-market and accounting performance during the COVID-19 pandemic. They found out that the family-owned Italian firms outperformed their non-family counterparts. This was because of their long-term outlook for decision-making, serious reputational concerns, better access to

resources from banks and the political sector, and a strong attachment to the business which raised the motivation to keep the business in effect. Carletti et al. (2020) also found evidence in the Italian context that family firms have a weak correlation with distress rate.

H2: Family firms had a better financial performance than the non-family firms post-pandemic

Impact on Indian Companies

Like in any other country in the world, COVID-19 adversely impacted India. There have been two such studies and both these works have investigated the impact on stock market performance.

Rao et al. (2021) used the event study methodology to examine the impact of COVID-19 on Indian financial markets. Employing panel data regression on 3200 observations derived from the NIFTY-50 companies, they found that the daily growth in total COVID-19 death cases and daily growth in total COVID-19 cases have a significant negative effect on the daily stock returns. The sectoral analysis shows that Pharma, FMCG, and telecom significantly and positively impacted daily market returns. In contrast, the financial services and banking sector has shown a statistically negative relationship with the daily returns of the NIFTY-50 index. Entertainment, Oil and Power, Auto, and Metal sectors have exhibited negative associations, but the results were not statistically significant. Findings reveal that the market returns are negative at the onset of

every lockdown, and returns show upward trends whenever the lockdown is about to finish. Lockdown 1.0 has witnessed significantly more positive effects than the other lockdown phases. The positive effects have been reduced considerably in Lockdown 2.0, and the third lockdown has experienced significant negative returns compared to the others. The financial stimulus package announced by the government during Lockdown 3.0 could have had contributed to positive returns in Lockdown 4.0.

In a cross-country study, Chaudhary et al. (2020) compared the effect of COVID-19 on Indian stock market performance viz-a-viz three global indices, namely, S&P 500, Nikkei 225, and FTSE 100. GLS regression on the daily data from January 2019 to May 2020 was applied. The impact of COVID-19 on the multiple volatility measures, namely standard deviation, skewness, and kurtosis of all indices, was studied. Findings reveal negative returns in the crisis period compared to the pre-crisis period for all indices. Their standard deviation has increased, the skewness has become negative, and the kurtosis values are large. The relation between indices has increased during the crisis period. The Indian stock market also exhibits similar trends as the global markets with respect to standard deviation. Still, it has higher

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negative skewness and higher positive kurtosis of returns, making the market seem more volatile.

lockdown since India's Prime Minister declared a nationwide lockdown on March 24, 2020 (just one week before the end of the financial year).

Data & Methodology

We used the annual financial data of listed Indian companies for the years ending March 2020 and March 2021 to investigate the impact of COVID-19 on accounting performance. March 2020 is the pre-COVID period, while March 2021 is the post-COVID period. The period ending March 2020 is considered a pre-

We excluded: (1) data for banks and public utilities (Anderson & Reeb, 2003) and (2) companies with missing data. To reduce the impact of outliers, we winsorized the continuous variables at 1% and 99% levels. All data are sourced from the CMIE Prowess. The variables used in the model and their definitions are presented in Table 2.

Table 2 Variable Definitions

Variable	Definition
ROA	It is the ratio of net income to total assets
ROE	It is the ratio of net income to net worth
Age	It is measured in years from the date of inception
Size	It is the natural logarithm of total assets
Sector	It is defined as per GICS (Global Industry Classification Standard)
Leverage	It is the ratio of debt to equity
Receivables Turnover	It is the ratio of operating revenue to average trade receivables
Revenue growth	It is the percentage of increase in revenue in the current year over the pastYear
Liquidity	It is the ratio of cash and cash equivalents to total assets
Promoter holdings	Shares held by the promoters

We adopted the following model to predict the financial performance:

$$ROA = \beta_0 + \beta_1 AGE + \beta_2 SIZE + \beta_3 LEVERAGE + \beta_4 SECTOR + \beta_6 PROMOTER HOLDINGS + \beta_7 REVENUE GROWTH + \beta_8 RECEIVABLES TURNOVER + \beta_9 LIQUIDITY + \epsilon$$

Alternatively, we used ROE as a dependent variable to measure the financial performance of the Indian public companies by establishing the following model:

$$ROE = \beta_0 + \beta_1 AGE + \beta_2 SIZE + \beta_3 LEVERAGE + \beta_4 SECTOR + \beta_6 PROMOTER HOLDINGS + \beta_7 REVENUE GROWTH + \beta_8 RECEIVABLES TURNOVER + \beta_9 LIQUIDITY + \epsilon$$

The variables used are based on prior studies undertaken that examined the impact of COVID-19 on financial performance of public companies. For example, age (Amore et al., 2021), leverage (Fu & Shen, 2020; Rababah et al., 2020; Shen et al., 2020), sector, size (Fu & Shen,

2020; Rababah et al., 2020; Shen et al., 2020), Promoter holdings (Anderson & Reeb, 2003; Bennedsen et al., 2007; Miller et al., 2007; Perez Gonzalez 2006; Villalonga & Amit, 2006; Sraer & Thesmar, 2007), liquidity (Amore et al., 2021), receivables turnover, revenue growth (Fu & Shen, 2020; Shen et al., 2020), ROA (Amore et al., 2021; Fu & Shen, 2020; Rababah et al., 2020; Shen et al., 2020) and ROE (Rababah et al., 2020; Shen et al., 2020).

Results

We present our results based on the data collected for 2154 companies.

Table 3 shows the sector classification of the companies in the sample. The companies are divided into 10 GICS sectors. A maximum of 487 companies are classified in the “Materials” sector, followed by 484 in the “Consumer Discretionary” sector. Family firms are most concentrated in the “Consumer Discretionary” sector, followed by the “Real Estate” sector.

Table 3 Number & Percent of Non-family & Family Firms by GICS Sector Classification (n=2154)

GICS sector	Non-familyFirms	Family Firms	Percent Family Firms in Sector
CommunicationServices	48	33	40.74
Consumer Discretionary	158	326	67.36
Consumer Staples	86	94	52.22
Energy	11	9	45.00
Heath Care	71	98	57.99
Industrials	180	282	61.04
Information Technology	81	74	47.74
Materials	209	278	57.08
Real Estate	34	54	61.36
Utilities	18	10	35.71
Total	896	1258	

Table 4 presents the descriptive statistics. The mean ROA and mean ROE have seen significant increases in 2021 over 2020. The mean ROA increased from 1.85 percent in the pre-pandemic year to 2.76 percent in the post-pandemic year. Similarly, mean ROE also

experienced an increasing trend as it rose from 0.74 percent in the pre-pandemic year to 2.48 percent in the post-pandemic year. Conversely, leverage and receivables turnover observed a decrease in 2021 over 2020. Lower leverage means that in the post-pandemic year, the companies either paid out their outstanding debt or resorted to more equity than debt to finance their business. A lower receivables turnover indicates the company’s inability to recover revenue generated from credit sales.

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Table 4 Descriptive statistics

Variables (Mean)	2020	2021	Difference
Age	34.49	34.49	.00
Size	5.69	5.73	.04
Leverage	1.00	.84	-.16**
Revenue growth	-3.22	-3.22	.00
Liquidity	.03	.02	-.01
Receivables turnover	9.56	5.05	-4.51**
Promoter holdings	52.07	52.07	.00
ROA	1.85	2.76	.91**
ROE	0.74	2.48	1.74*

Significance levels of 10%, 5%, and 1% are denoted by *, ** and *** respectively.

Table 5 represents the descriptive statistics at the family and non-family firms' levels. Family firms have outperformed their non-family counterparts in the pre and post-pandemic years. However, the difference between their performances is not significant. It is observed that non-family firms are bigger and more levered than family firms.

Table 5 Comparison Between Family (N=1258) & Non-family Firms (N=896)

Means	2020			2021		
	Non-family Firms	Family firms	Difference	Nonfamily Firms	Family Firms	Difference
ROA	1.65	1.99	.34	2.74	2.79	.05
ROE	.14	1.16	1.02	2.17	2.71	.54
Leverage	1.14	.89	-.25**	.92	.78	-.14
Size	6.01	5.46	-.55***	6.07	5.49	-.58***
Age	35.98	33.44	-2.54***	36.98	34.44	-2.54***
Promoter Holdings	45.97	56.42	10.45***	45.97	56.42	10.45***
Revenue Growth	-2.12	-4.00	-1.88	-3.93	-2.71	1.21
Receivables Turnover	9.62	9.51	-.11	5.54	4.71	-.83
Cash to Assets	.03	.03	.00	.02	.02	.00

Significance levels of 10%, 5%, and 1% are denoted by *, ** and *** respectively.

Table 6 and Table 7 exhibit the regression results when ROA is used as a dependent variable. Table 6 shows the impact of COVID-19 on the performance of all companies. Promoter holdings ($\beta = .202, p < .01$), revenue growth ($\beta = .290, p < .01$), receivables turnover ($\beta = .037, p < .1$), liquidity ($\beta = .132, p < .01$) and size ($\beta = .177, p < .01$) have significant positive effects on performance, while leverage ($\beta = -.126, p < .01$) has a significant negative effect. The results are similar in both pre and post-pandemic years. Further, Table 7 shows the impact of COVID-19 on the performance of family firms only. Family ownership ($\beta = .065, p < .01$), revenue growth ($\beta = .312, p < .01$), liquidity ($\beta = .105, p < .01$) and size ($\beta = .200, p < .01$) have significant positive effects on performance,

mance, while leverage ($\beta = -.128, p < .01$) and receivables turnover have significant negative effects and no effect re-

spectively. The results are similar in both pre and post-pandemic years.

Table 6 Impact of COVID-19 on Firm Performance Measured Using ROA

	2020	2021
Constant	6.217***	3.069***
Control variables		
Leverage	-.126***	-.126***
Size	.190***	.177***
Age	.009	.003
Sector	Yes	Yes
Independent variables		
Promoter holdings	.133***	.202***
Revenue growth	.172***	.290***
Receivables turnover	.038*	.037*
Cash to Assets	.077***	.132***

Table 7 Impact of COVID-19 on FAMILY FIRM Performance Measured Using ROA

	2020	2021
Constant	8.964***	7.245***
Control variables		
Leverage	-.107***	-.128***
Size	.236***	.200***
Age	-.018	.014
Sector	Yes	Yes
Independent variables		
Family ownership	.101***	.065***
Revenue growth	.200***	.312***
Receivables turnover	.040	.038
Cash to Assets	.144***	.105***
Adjusted R-square	.151***	.208***

Significance levels of 10%, 5%, and 1% are denoted by *, ** and *** respectively.

Robustness check is done using ROE as a dependent variable. Table 8 and Table 9 present the regression results when an alternate dependent variable is used. Table 8 shows the impact of COVID-19 on the performance of all companies. Promoter holdings ($\beta = .065, p < .01$), revenue growth ($\beta = .205, p < .01$), liquidity ($\beta = .065, p < .01$) and size ($\beta = .142, p < .01$) have significant positive effects on performance, while

leverage ($\beta = -.356, p < .01$) and receivables turnover have significant negative effects and no effects respectively. The results are similar in both pre and post-pandemic years, apart from the fact that smaller companies performed better than the bigger ones in the pre-pandemic year. Further, Table 9 shows the impact of COVID-19 on the performance of family firms only. Revenue growth ($\beta = .195, p < .01$), receivables turnover ($\beta =$

.043, $p < .1$), liquidity ($\beta = .051$, $p < .05$) and size ($\beta = .162$, $p < .01$) have significant positive effects on performance, while leverage ($\beta = -.389$, $p < .01$) and family ownership have significant negative effects and no effects, respectively. The results are similar in both pre and post-pandemic years.

Table 8 Impact of COVID-19 on Firm Performance Measured Using ROE

	2020	2021
Constant	8.748**	8.544***
Control variables		
Leverage	-.293***	-.356***
Size	.140***	.142***
Age	-.058***	.028
Sector	Yes	Yes
Independent variables		
Promoter holdings	.075***	.065***
Revenue growth	.083***	.205***
Receivables turnover	.011	.009
Cash to Assets	.075***	.065***
Adjusted R-square	.131***	.223***

Significance levels of 10%, 5%, and 1% are denoted by *, ** and *** respectively.

Table 9 Impact of COVID-19 on FAMILY FIRM Performance Measured Using ROE

	2020	2021
Constant	18.893***	13.492***
Control variables		
Leverage	-.194***	-.389***
Size	.184***	.162***
Age	-.036	.022
Sector	Yes	Yes
Independent variables		
Family ownership	.032	.003
Revenue growth	.111***	.195***
Receivables turnover	.038	.043*
Cash to Assets	.091***	.051**
Adjusted R-square	.116***	.231***

Significance levels of 10%, 5%, and 1% are denoted by *, ** and *** respectively.

Discussion & Conclusion

We used annual financial data for the years ending March 2020 (pre-pandemic) and March 2021 (post-pandemic) to study the effect of COVID-19 on the financial performance of Indian listed companies. The results sug-

gest that there was an improved financial performance in the post-pandemic year compared to the pre-pandemic year. Size, promoter holdings, receivables turnover, liquidity, and revenue growth had significant positive effects on financial performance, while leverage had a significant negative effect.

Age did not have any impact on performance. The comparative analysis between family and non-family firms indicates that family firms outperformed their non-family counterparts. Size, family ownership, liquidity, and revenue growth had significant positive effects on financial performance, while leverage had a significant negative effect. Age and receivables turnover did not have any impact on performance. A robustness test was also conducted using ROE as the dependent variable, and similar trends were observed.

Family firms outperformed their non-family counterparts.

Our findings are not in line with Fu & Shen (2020), who found out that COVID-19 had a significant negative effect on financial performance of Chinese energy companies. They reported that COVID-19 hurt productivity in the energy sector, causing companies' revenues to plummet. The companies failed to cover fixed costs and expenses, resulting in poor corporate performance. Our data also found a negative revenue growth, which meant that the revenues decreased in the post-pandemic year. However, unlike the Chinese energy companies, the Indian companies could cover their costs and keep their expenses in check, which resulted in increased profits. Our results also contradict the findings of Rababah et al. (2020) and Shen et al. (2020), who concluded that COVID-19 had a negative effect on the financial performance of Chinese listed companies.

With respect to family and non-family firms, our results are similar to Amore et al. (2021), who concluded that family firms exhibited better financial performance than non-family firms during the COVID-19 pandemic. The results are more robust for family firms having higher family ownership in the business. Additional analysis reveals that bigger and less leveraged family firms displayed better performance. However, unlike Amore et al.'s (2021) findings, we observe that liquidity and age are positively associated with ROA.

In India, economic disruptions like demonetization in 2016, GST rollout in 2017, and the outbreak of the COVID-19 pandemic in 2020 may have made the public companies gain at the cost of unorganized small businesses. The big companies which are listed on stock exchanges have deep pockets. They could have made quick changes to their business strategies and plans to suit the needs of their customers during the pandemic period. It is also possible that the business of smaller firms may have gone to bigger firms as the former mostly remained shut during the lockdown. Dun and Bradstreet survey suggests that COVID-19 negatively affected 82 percent of Indian small businesses.⁴ Additionally, the smaller companies faced cash flow problems. In time, they could not pay rent, salaries, electricity bills, etc. Many such companies were forced to shut down as they could not cover their operating expenses.

⁴ <https://www.livemint.com/companies/news/over-82-of-small-businesses-had-a-negative-impact-during-covid-19-report-11619101190140.html>

From our results, it was evident that companies holding more cash did well during the pandemic period. Cash and cash equivalents of listed companies have registered a growth of 13 percent in FY21.⁵ Companies seem to have used the lower demand and greater liquidity and fiscal support during the pandemic to strengthen their balance sheets. The last fiscal was also marked by record low capital expenditure by the listed entities, which could have helped free up funds. Companies would have gone slow with their ongoing capex or commencing new capital projects, given the demand uncertainty.

It was evident that companies holding more cash did well during the pandemic period.

Another reason for the companies to do well was that they could reduce their costs, which led to increased profitability. With the pandemic forcing corporates to adopt a “work from home” culture, overheads such as electricity, staff welfare, travel, rent, etc., decreased. Besides these costs, marketing and selling expenses are also reduced due to cost-effective digital marketing.

For Indian family firms, it is possible that because of their long-term thinking, attachment to the firm, and reputation in the market, they could have outperformed their non-family counterparts. Apart from this, family connections with banks and

⁵ <https://www.thehindubusinessline.com/opinion/columns/how-india-inc-benefited-from-the-pandemic/article35326878.ece>

the political sector could have provided better access to resources required for achieving healthy financial performance (Amore et al., 2021). Additionally, Indian family firms have a higher entrepreneurial orientation than non-family firms (Mondal & Chakraborti, 2020). They are characterized by commitment, conservative finance, entrepreneurship, flexibility, and lower cost of capital (Mittal & Lavina, 2018), which contribute to better financial performance

Scope of Future Research

Our work has certain limitations, which opens up the scope for future research. First, we analysed only the public companies listed in India. Hence, we cannot generalize our results to other non-listed companies in India and other public companies in different countries. Second, we measured only the financial performance using ROA and ROE. Further studies can combine financial performance with market performance to make the research more robust. Third, sectoral analysis can determine the sectors that performed well during the pandemic year compared to the pre-pandemic year. In this study, we have excluded the Finance sector (Anderson & Reeb, 2003) since our focus was to undertake a comparative analysis of family and non-family firms. Thus, there is scope to undertake a separate study on the performance of Indian banks and financial institutions during the post-pandemic period. Fourth, we use a particular definition to classify family businesses. A different definition can lead to different results.

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