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A Statistical Analysis of Companies' Financing Strategies in Portugal during the COVID-19 Pandemic

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Abstract: This study aims to establish which sources of financing were used and the relevance of different banking products for Portuguese companies during the pandemic. We also intend to understand the determinants of companies' financing options and what lies behind their decisions concerning the appropriate level of debt. A quantitative methodology was used, based on a questionnaire given to Portuguese companies to analyse different financing issues. The sample was composed of 1957 companies with a business volume of more than EUR 500,000 per year. The results show that Portuguese companies focused on managing liquidity and corporate risk. We found evidence that companies kept financing themselves by banking products such as in the pre-pandemic period, although 29.6% resorted to the LAE-COVID economy support line. Companies decide on the appropriate amount of debt based on the nature of the business, the phase of the life cycle in which the company is, the cash flows' volatility, accounting results, credit rating, and fiscal benefits. Academicians and companies should master the concept of company financing and adopt strategies to consider the level of debt and refine the banking products to be used. Although the literature on business financial management usually claims that all crises are the same, the COVID-19 pandemic not only caused a recession but also forced people and companies to adapt to a new environment. Portuguese companies have shown resilience and focus on their adoption of good financing practices.

Keywords: financial management; financing strategies; credit evaluation; financial structure; alternative forms of financing

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1. Introduction

The COVID-19 pandemic harmed the world economy, only comparable to the recent subprime crisis that occurred in 2007. The world pandemic crisis conditioned the finances of countries and companies. The COVID-19 pandemic caused an unmeasurable impact in the countries' economic growth and corporate development (Li and Yan 2022). As a country reduces the internal impacts caused by the pandemic, it must pay attention to the changes in the pandemic situation of other countries to reduce the secondary shocks instigated by them. Grima et al. (2020) state that there may be a need for supranational actions to develop the public and private abilities to deal with pandemics. Since that during the COVID-19 pandemic, people were generally more willing to follow rules and guidelines, they are also more likely to cooperate with policies when they feel personally incapacitated (Bok et al. 2021).

Between 2011 and 2014, the Troika, comprising the International Monetary Fund, European Commission, and European Central Bank, intervened in Portugal. During this time and in the following years, Portuguese companies presented a high level of

debt and were highly undercapitalized. According to Tavares et al. (2015), these factors contributed to the decrease in the economy's credit concession and to greater financial costs. Lopes (2014) claims that the subprime crisis did not have a significant impact on the relationship between SMEs (small and medium-sized enterprises) and banks. However, banks became more cautious and tightened access to financing. To overcome this lack of trust, companies provided banks with financial statements, which is the information most required when loans are granted. Creditors seem to be outperformed by other financial services institutions in identifying and managing risks, according to Gonzi et al. (2019). Therefore, the authors claim that these institutions must refine their risk management skills beyond the existing scope because it is outdated when compared to other types of organizations.

Tavares et al. (2021) analysed companies' financial risk. They found that the greatest risks for companies are customer payments, payments to suppliers, and the availability of cash and banks. A company's most important concern is financial risk, followed by reputational and operational risk, strategic risk, and finally fiscal risk (Tavares et al. 2021).

Vieira et al. (2013), in a Portuguese study, state that big enterprises rely more on commercial credit than SMEs do, although the level of credit is similar between both types of enterprise. On one hand, in SMEs the level of credit granted is influenced by asset turnover, the amount of credit granted before to the company, and the availability of banks to finance these companies. On the other hand, in big companies, there are several determinants of how much commercial credit is granted, namely debt cost, operating return on sales, liquidity, solvability, asset turnover, gross margin, and the company's sector of activity. The financial results of companies are mainly related to their expenses, whether because of the money that leaves the company for the family's own use or because of responsibilities that family members take on inside the company because some of them benefit from being part of the family (Silva et al. 2021).

The COVID-19 pandemic made people less willing to go to shopping centres and other retail venues, leading to a decrease in consumption (Tavares et al. 2020). Tavares et al. (2020) understood that the pandemic forced marketing professionals to alter their strategies to better reach their consumers, particularly during quarantine and lockdown periods. Kumar (2020) realised that the first signs of recovery after the disappearance of COVID-19 should come from sectors such as agriculture, food, health, pharmaceuticals, transport, and logistics. The author claims that fiscal measures are necessary to increase demand in the economy. Companies were forced to change their business strategies because of the COVID-19 pandemic with the goal of becoming more robust in a more uncertain commercial environment (Azhari et al. 2022).

Santos et al. (2021a) concluded that the COVID-19 pandemic changed the way that people act in different day-to-day situations, and unemployment is one of the factors that interfere with daily life and with people's emotions. There is a strong and positive relationship between human resources performance and financial results, according to Zayed et al. (2022). Companies and financial policymakers must take measures that allow them to mitigate risk and promote a stimulating business environment, pushed by fast money exchanges in supply chains, as well as a motivating entrepreneurial environment driven by growth (Kacani et al. 2022).

Based on the aforementioned information, the objective of this study is to understand which sources of financing are used by Portuguese businesses and the relevance of different bank products for them during the COVID-19 pandemic. This work also aims to uncover the determinants of a company's decision-making in terms of financing, and what lies behind decisions on the appropriate level of debt. A revision of the literature is presented, followed by the methodology, the presentation and discussion of the results, and finally the conclusion.

2. Literature Review

2.1. Sources and Forms of Financing

A study by Tavares et al. (2015) concluded that most companies have difficulties in accessing bank credit, with loan costs (commissions, charged expenses, and applied interest rates) being the factor that most contributes to this situation. According to the authors, bureaucratic aspects (the functioning of the justice system, generalized bureaucracy, and the legal and administrative framework) were the factors indicated by companies as obstacles to their growth and development. In another study for Portugal, Lopes (2014) concluded that bank loans, credit lines, and leasing were widely used as financial products. According to the author, the biggest difficulties in accessing financing came from the interest rates applied to bank loans and the requested guarantees.

Vieira and Novo (2010) observed that external financing is essentially short-term and from banks, because companies are unable to give additional guarantees, particularly in periods of commercial difficulty, and have poor access to capital markets. According to Tavares et al. (2015), applying for diversified and alternative financing sources is a time-consuming process, because traditional forms of financing are quite ingrained in SMEs and in the mentality of their leaders. Family businesses tend to present high levels of indebtedness because of the family's objective of maintaining control of the company, and the lack of access to alternative external sources of financing (Serrasqueiro et al. 2020). On the other hand, Santiago et al. (2019) state that families that are more economically reliant on the company and intend to pass it on to future generations are more cautious when resorting to indebtedness.

Vázquez et al. (2020) noted that European leasing industry portfolios are growing, which demonstrates that this type of financing plays an important role in the international economy. For the authors, leasing emerges as a viable source for SMEs with financial constraints to finance themselves, especially in less developed European countries. Tavares et al. (2015) concluded that, in general, SMEs seek to finance their investments with loans the maturity of which is identical to that of the assets to be financed, which is in line with Graham and Harvey (2001). Tavares et al. (2015) concluded that bank credit is the main source of financing, being used by 91% of companies, followed by self-financing, used by 62%. In Portuguese SMEs, there was no financing through the issuing of shares or bonds. For the authors, this fact is characteristic of the continental model of financing, where there is a strong preference for self-financing and bank credit, and where the role of the stock market and capital markets is reduced.

According to Lucama et al. (2017), in a study conducted for Benguela (a province in Angola), self-financing is by far the main source of financing, followed by bank loans and lastly state loans/grants. The most used bank loans are medium and long-term, to the detriment of short-term loans. The factor that most hinders the use of bank loans is the difficulty in accessing them due to the guarantees required, the time it takes for approval and the amounts approved. On the other hand, Nawi (2015) found that Malaysians prefer external sources of capital, while non-Malays (Chinese and Indians) prefer internal sources of finance. The Malays prefer to use loan capital from financial institutions or state funds, while the internal funds of the Chinese and Indians consist of those from friends and family.

2.2. The Company's Financing and Financial Structure

For Pamplona et al. (2017) the poor indicators of Portuguese family businesses, especially profitability indicators, reflect what the country has been experiencing. The authors suggest that Brazilian companies advocate the trade-off theory, in which higher indebtedness to third parties provides better results, while Portuguese companies advocate the pecking order theory, in which lower indebtedness to third parties, and greater use of equity capital, provide better results. Vieira (2013) found evidence that companies follow the trade-off theory, being concerned with obtaining a debt ratio that increases the value of the company, minimizing the average cost of capital. However, Vieira and Novo (2010) and Henrique et al. (2020) consider that the theory that best explains the behaviour

of SMEs with regard to their capital structure is the pecking order theory. This theory indicates that companies prefer self-financing first, only afterwards resorting to external financing through borrowed capital, and only in the last instance is the issue of capital increases considered.

In a study on the financing of SMEs in the district of Porto in Portugal, Tavares et al. (2015) observed that the increase in corporate indebtedness is considered by the companies themselves to be a very pertinent fact in view of the increased risk both for shareholders and debt holders. They also noted that companies take into account tax benefits in their choices of capital structures and forms of financing, although previous studies such as Pettit and Singer (1985) found that SMEs are less likely to generate high profits and therefore less likely to use the tax benefit of debt.

Vieira (2013) analysed the determinants of the capital structure of listed companies in Portugal through a survey addressed to the financial directors of the companies and concluded that these determinants were the nature of the business and the companies' life cycle. According to Azhari et al. (2022), the financing of debt is one of the most important factors to be considered when discussing the impact on the companies' long-term sustainability. The authors observe that companies had lower long-term debt during the pandemic.

Lucama et al. (2017) also studied the indebtedness of SMEs and concluded that Durand's (1952) theory was applicable, in which the increase in corporate indebtedness is considered by most companies to be relevant given the increased risk for shareholders and debt holders. These authors concluded that companies take into account tax benefits when choosing their capital structures and forms of financing, once again contradicting Pettit and Singer (1985).

Retained profits are positively related to the company's age, business life objectives, and profitability, and inversely related to a lack of planning, business objectives, and asset structure (Nawi 2015). The higher level of debt of family businesses is likely a consequence of debt and agency costs being lower for them (Serrasqueiro et al. 2020). It may also be because family businesses adopt medium- and long-term strategies and have easier access to credit, retaining profits and distributing dividends to never lose control of the company.

2.3. The Risks of Financing

According to Santos et al. (2021b), the perception of legal, strategic and reputational risks (particularly the first two) positively influences the perception of financial risk, both in family and non-family businesses. The authors also found that the existence of the COVID-19 pandemic negatively influenced the perception of financial risk in non-family businesses, whilst in family businesses it was the age of the company that negatively influenced the perception of financial risk.

The results for large companies indicate that those with a greater ability to access capital markets grant more trade credit to customers (Vieira et al. 2013), as do firms with higher gross margins. Vieira et al. (2013) found evidence that the factors influencing trade credit are size, ability to access capital markets, price discrimination and transaction motives.

For Santos et al. (2020), the literature on risk management lacks a specific perspective on international business because until now, it has generally referred to generic management in times of crisis. The literature on risks in international business usually claims that crises are all the same. However, the COVID-19 pandemic is a health crisis, but with social implications; thus, it can be seen that pandemics, in addition to economic and social costs, bring an increase in costs for companies (Santos et al. 2020).

Krauter et al. (2016) found that 90% of companies that had requested financing during the study period had their financing request approved, but only 57.6% obtained the total amount requested, the operations most carried out being those to finance current assets. The main reason given by the banks for not granting the requested amount of funding was credit guarantee funds. When selecting investment projects for approval, the bank is faced

with asymmetric information, which leads to adverse selection and moral hazard. To solve some problems the bank has to demand real guarantees (Gonzi et al. 2019).

Regarding the risk of bankruptcy, Pacheco et al. (2019) found that the companies in operation had much higher average values in terms of turnover, financial autonomy, return on assets and return on equity than the insolvent companies in the sample. Lopes (2014) believes that companies should focus on developing techniques to present investment projects with clarity and objectivity to reduce information asymmetry and avoid the adverse selection of projects. He also suggests that companies should commit to preparing model financial statements, with the appropriate quality certification. Nawi (2018) understands that the factors affecting capital structure decisions in SMEs are the business plan and how it is designed, the strategic plan, the management structure and performance evaluation. According to Farooq et al. (2022), some factors that influence investment decisions are the peer effect, the managers' networks, internal funds, information asymmetry, governance, financial crises, financial diversification, idiosyncratic risk, cash holdings, etc.

The greater participation of women in family business management is also associated with a higher quality of financial information, and the literature indicates that gender complementarity fosters dialogue in companies, reducing the asymmetry of external information and promoting transparency in financial reporting (Borralho et al. 2020). Madaleno and Vieira (2020) state that the adoption of sustainability practices leads to an increase in the reputation of companies and an improvement in their financial results, which leads them to disclose information on their social and environmental practices. The authors identified a positive influence of corporate governance on sustainability practices and of sustainability practices on company performance, confirming the mediating role that sustainability may represent in the link between governance and performance.

2.4. Financing Control

In family businesses in Extremadura (a province of Spain), the concern to maintain control of the business within the family is well recognised, with the financial and capital limitations that result from this, which sometimes restricts or slows down business growth (Linares et al. 2011). The objectives of companies and their owners can influence how they choose their financing (Nawi 2018). For Linares et al. (2011), the vast majority of family entrepreneurs disagree with the use of company financial resources for family needs and are therefore aware of the importance of keeping these resources and assets separate from family resources and assets. In contrast, for Nawi (2015), Malaysian SMEs do not use debt as a control mechanism to maximise performance, as asserted by agency theory.

Lucama et al. (2017) pointed out that there are two determinants of a company's debt: one is the company's day-to-day management capacity, and the other is its existing capital structure. The relationships and networking of SMEs with outsiders and the perceptions and beliefs of decision-makers in companies play a key role in capital structure choices (Nawi 2018). In addition to the internal factors mentioned earlier, external factors such as the cultural and business environment also affect capital structure choices. Serrasqueiro et al. (2020) report that family businesses, on average, have a lower level of profitability and are younger than non-family ones. Despite the reliance of family businesses on short- and long-term debt as sources of external finance, these companies reduce their level of debt as they get older. Companies with high liquidity have less short-term debt and their capital structure changed only slightly during the pandemic (Azhari et al. 2022).

3. Methodology

This study used a quantitative methodology based on the application of a survey with a questionnaire, the target population being Portuguese companies with a turnover greater than EUR 500,000. The SABI (Sistema de Análise de Balanços Ibéricos) database was used to obtain the companies' e-mail addresses. The questionnaires were created using the Google Forms tool, and subsequently, an email was sent to the companies targeted for the analysis, with an invitation to participate in this study and a short text defining its

objectives and guaranteeing the anonymity and confidentiality of the information provided. The email also contained the link to access the questionnaire to complete it. The data collection methodology adopted was non-probabilistic, based on the convenience sampling method; however, its application was advantageous in that it represented all companies in operation at the time of the survey. The data collection process took place between March and May 2021 and resulted in the voluntary participation of 1957 companies.

The instrument used was designed to study the characteristics of the respondents (age, gender, position in the company) and of the companies (number of employees, sector or area of activity, year the company was founded, main market with the highest volume of sales, type of company, type of partnership and phases of the company's life cycle). This is shown in Table 1. Moreover, we also study the companies' forms of financing, the relevance of bank products, and perceptions of financing and its structure. The instrument was also composed of questions to ascertain whether companies had certified accounts, whether they had any financial reserve for a pandemic-type risk, and how many banks they worked with.

To measure the importance given by companies to working with several banks, nine items were devised (see Table 2), taking into account the works of Tavares et al. (2015) and Lucama et al. (2017), and using a 5-point Likert scale (1—not at all important to 5—very important). Cronbach's alpha of the nine items was 0.913.

To analyse the bank's financial products and the collateral used, 19 items were developed (see Table 3), taking into account the works of Tavares et al. (2015), Lopes (2014) and Lucama et al. (2017). Seventeen items adapted from the works of Krauter et al. (2016), Tavares et al. (2015) and Gonzi et al. (2019) were used to analyse the companies' perception of the relevance given by banks to different credit analysis items (see Table 4). The relevance of the items in Tables 3 and 4 was assessed using a 5-point Likert scale (1—not at all relevant to 5—very relevant). Cronbach's alpha relating to bank financial products and collateral used was 0.898, while that relating to the companies' perception of the relevance given by banks to different credit analysis items was 0.903.

The companies' perception of their management and the evolution of the economy and society was measured using 19 items (see Table 5), which were adapted from the studies of Nawi (2015), Serrasqueiro et al. (2020), Madaleno and Vieira (2020) and Borralho et al. (2020). The Likert scale used to measure this variable had 5 points (1—strongly disagree to 5—strongly agree). Cronbach's alpha of the 19 items was 0.716.

The factors involved in the companies' decisions on the appropriate amount of debt were assessed taking into account 14 items (see Table 6), measured using the 5-point Likert scale (1—not at all important to 5—highly important) and adapted from the works of Vieira (2013) and Nawi (2018). Cronbach's alpha of the 14 items was 0.916.

The factors involved in the decision to resort to debt and its impact on capital structure were composed of 14 items (see Table 7) adapted from the works of Vieira (2013) and Tavares et al. (2015). Cronbach's alpha of the 14 items was 0.883. The important factors in the capital structure management of companies were composed of six items (see Table 8) adapted from the work of Vieira (2013). The Likert scale used to measure these last two variables had 5 points (1—strongly disagree to 5—strongly agree). Cronbach's alpha of the 6 items was 0.823. It should be pointed out that after the literature review and the construction of the questionnaire, the latter was submitted to a pre-test, to check for the existence of possible flaws that may have occurred, such as inappropriate language or questions that may not pertain to the subject under study. The questionnaire was shared, through a link, with a sample of an odd number of company directors. After the pre-test, the proposed suggestions were taken into consideration and data were collected by sending the questionnaires to the companies.

It should be noted that the reliability of the variables was assessed by calculating Cronbach's alpha, where values greater than 0.7 were considered acceptable (Hair et al. 2014); thus, it can be confirmed that all measures assessed in the questionnaire were reliable. After obtaining the responses from the companies, a database was built and the IBM SPSS Statistics 28 software was used for the statistical treatment of the data. Descriptive statistics were used to characterise the respondents and companies, and also to analyse the different variables under study.

4. Results and Discussion

4.1. Characterisation of the Companies

Table 1 shows some elements that characterize the 1957 respondents of the questionnaires, with information on age, gender and the position they hold in the company. Elements that characterise companies, such as the number of employees, the section/area of activity, the main market where the companies make the highest volume of sales, the type of company, the type of partnership and the phases of the company's life cycle are also shown.

Table 1. Characterisation of the companies.

		Companies (n = 1957)
Respondents	Age	Minimum: 20; maximum: 85; average: 47.51; standard deviation: 10.35
	Gender	Male: 1216 (62.1%); female: 741 (37.9%)
	Role	Administrator/manager: 1107 (56.5%); director: 336 (17.2%); administrative: 514 (26.3%)
Company	Number of employees	Fewer than 10: 633 (32.3%); from 10 to 49: 991 (50.6%); from 50 to 249: 275 (14.1%); over 250: 58 (3.0%)
	Sector/area of activity	Commerce: 522 (26.7%); construction: 343 (17.5%); services: 449 (22.9%); catering 46 (2.4%); manufacturing: 359 (18.3%); mining: 13 (0.7%); tourism: 96 (4.9%); transport: 68 (3.5%); agriculture: 34 (1.7%); gas, electricity, water: 27 (1.4%)
	Main market with the highest sales volume	Local market: 346 (17.7%); regional market: 401 (20.1%); national market: 870 (44.5%); international market: 340 (17.4%)
	Type of business	Family: 1328 (67.9%); non-family: 629 (32.1%)
	Type of company	Private limited company: 1603 (81.9%); public limited company: 349 (17.8%); limited liability company: 1 (0.1%); co-operative: 3 (0.2%)
	Phase of the company's life cycle	Rapidly growing: 35 (1.8%); healthy and growing: 776 (39.8%); stabilised: 967 (49.6%); declining: 173 (8.9%)

Source: own elaboration.

Of the 1957 companies that participated in the study, 1247 (63.7%) had certified accounts and 710 (36.3%) did not. Many companies—1266 (64.7%)—indicated that they had some financial reserves for a pandemic-type risk, while 691 (35.3%) said that they did not have such a reserve.

The most commonly used financing sources by firms in the study period were, in descending order, bank loans (n = 1292; 65.9%), self-financing (n = 1259; 64.2%), government loans/grants (n = 152; 7.8%) and European Union funds (n = 153; 7.8%). Only 11 companies (0.6%) used bond issues.

The banking products most used by the companies were, in descending order, bank current accounts (n = 1411; 72.0%), medium- and long-term loans (n = 1036; 52.9%), leasing (n = 602; 30.7%), bank guarantees (n = 295; 15.1%), renting (n = 209; 10.7%), short-term loans (n = 202; 10.3%), factoring (n = 185; 9.4%), bank overdrafts (n = 134; 6.8%), discounting of bills of exchange (n = 85; 4.3%), discounting of promissory notes (n = 84; 4.3%) and confirming (n = 16; 0.8%).

On the question concerning how many banks the companies worked with, their replies, in descending order, were: two banks (n = 654; 33.4%), three banks (n = 483; 24.7%), one bank (n = 309; 15.8%), four banks (n = 249; 12.7%), five banks (n = 130; 6.6%) and more than five banks (n = 130; 6.6%).

Regarding the question on whether and how the companies had increased their capital in the last three years, the modalities used, in decreasing order, were: capital contributions by current shareholders (n = 221; 44.1%), incorporation of reserves (n = 157; 31.3%), conversion of shareholders' loans (n = 84; 16.8%), incorporation of supplementary capital payments (n = 58; 11.6%), entry of new shareholders (n = 50; 10.0%) and transformation of debt into capital (n = 37; 7.4%).

The alternative forms of financing include financing through mutual guarantees (n = 623; 31.8%), LAE-COVID economy support lines (n = 580; 29.6%), capital contributions from new shareholders (n = 142; 7.2%), commercial paper (n = 137; 7.0%), bond loans (n = 90; 4.6%), venture capital firms (n = 25; 1.3%) and crowdfunding (n = 4; 0.2%). An important conclusion is that, concerning alternative forms of financing, although LAE-COVID economy support lines are state-funded, they are less utilized than financing through mutual guarantees.

4.2. Financing of Companies

As shown in Table 2, companies have the perception that working with more than one bank gives them the chance to negotiate and reduce the interest rates charged and allows them to increase their negotiating power with the banks and choose the bank they want to work with. These results demonstrate that companies seek to diversify their sources of financing and use a variety of financial products to obtain more success in financing the companies.

Table 2. Importance given by companies to working with several banks.

	Average	Median	Mode	Standard Deviation	Not Important	Hardly Important	Indifferent	Important	Very Important
Possibility of reducing the charged interest rates	4.12	4	5	1.06	5.1	3.8	9.4	37.8	44.0
Increase your negotiating power with the banks	4.01	4	4	1.04	4.6	4.6	12.2	42.6	36.0
Have an alternative to choose the bank you want to work with	3.98	4	4	0.96	4.0	3.7	12.5	50.4	29.4
Precautionary measures concerning a financial institution	3.77	4	4	1.03	4.6	6.5	19.7	45.2	23.9
Diversity of advice to support the activity	3.71	4	4	1.07	6.2	7.8	15.2	49.9	20.8
Split the risk between two or more banks	3.66	4	4	1.08	6.2	6.9	22.4	43.3	21.2
Variety of products and services offered	3.58	4	4	1.06	6.2	10.8	16.4	51.8	14.9
Possibility of getting a greater amount of financing	3.50	4	4	1.09	7.5	8.8	25.2	42.9	15.5
Increase the acceptance of credit applications	3.40	4	4	1.07	8.3	8.7	29.5	41.8	11.7

Source: own elaboration.

Table 3 shows that in the short term (up to 1 year), the bank current account is clearly the most-used bank product, followed by short-term loans (up to 1 year). The bank products with less relevance for companies are the discounting of bills of exchange and promissory notes. These results, in general, confirm the results of Tavares et al. (2015), Lopes (2014), Vázquez et al. (2020) and Lucama et al. (2017). However, there is an increase in the preponderance of factoring and a decrease in the use of bills of exchange and promissory notes. Of the medium and long-term banking products, the most relevant for companies are medium- and long-term loans (over 1 year), closely followed by leasing. The medium- and long-term bank product with the least relevance in Portuguese companies is renting. In this study, leasing was separated from renting, and it can be seen that leasing is widely used when compared to renting.

Table 3. Relevance of bank financing products and the guarantees used.

	Average	Median	Mode	Standard Deviation	Not Relevant	Hardly Relevant	Undecided	Relevant	Strongly Relevant
Short-term bank financing products									
Current account	3.80	4	4	1.31	11.0	9.9	2.2	42.3	34.6
Short-term loans (up to 1 year)	2.70	2	4	1.40	29.2	21.5	8.7	31.8	8.9
Bank guarantees	2.65	2	1	1.41	30.3	22.1	9.0	29.3	9.2
Confirming	2.36	2	1	1.41	41.4	18.9	11.2	19.3	9.2
Foreign loans/operations	2.30	2	1	1.41	43.0	20.3	8.1	19.8	8.4
Bank overdraft	2.22	2	1	1.31	40.5	27.2	6.8	20.1	5.3
Factoring	2.06	2	1	1.25	46.7	24.9	8.9	14.7	4.8
Discounting of promissory notes	1.75	1	1	1.08	57.7	23.6	6.3	10.7	1.7
Discounting of bills of exchange	1.66	1	1	1.01	61.1	23.2	5.6	8.7	1.3
Medium and long-term bank financing products									
Medium and long-term loans (over 1 year)	3.44	4	4	1.41	16.5	13.0	5.7	40.0	24.8
Leasing	3.08	4	4	1.42	20.7	19.7	5.4	39.1	15.0
Financing with recourse to mutual guarantee	2.96	3	4	1.47	25.0	17.9	10.2	29.6	17.2
Renting	2.39	2	1	1.34	35.1	26.8	9.0	22.2	6.9
Guarantees used to obtain bank financing									
Company promissory note	2.61	2	1	1.47	34.6	18.1	9.2	28.0	10.1
Corporate promissory note with a personal guarantee	2.61	2	1	1.48	35.6	17.7	9.0	25.8	11.9
Mutual guarantee	2.61	2	1	1.43	33.9	17.9	12.2	25.5	10.4
Mortgage guarantee	2.27	2	1	1.36	43.4	19.2	10.4	20.7	6.3
Covenants/comfort notes	1.87	1	1	1.11	53.1	20.7	14.6	9.5	2.1
Pledge of securities	1.77	1	1	1.11	57.7	21.8	9.4	7.8	3.3

Source: own elaboration.

Of the guarantees used by companies to obtain bank financing, the least used are the pledge of securities and covenants/comfort letters. Although the mean and median values are low, the most commonly used guarantees are the promissory note subscribed by the company and the promissory note subscribed by the company with a personal guarantee. These results are comparable to those of previous studies, including Vieira and Novo (2010) and Tavares et al. (2015). We found that there was no change in the guarantees used to obtain bank financing by companies during the pandemic period.

Companies consider that the most relevant information for banks when they analyse a loan application is the company's annual report, its history and activities, and the performance of the company's management in recent years (Table 4). What companies perceive banks give little relevance to is an analysis of their managers' way of life and hobbies and an analysis of managers' political exposure. These results are close to those obtained by Krauter et al. (2016), Gonzi et al. (2019), and Pacheco et al. (2019). The accounts reports and the company's recent history continue to be the most valued aspects when it comes to resorting to company financing.

Table 4. Companies' perception of the relevance given by banks to different credit analysis items.

	Average	Median	Mode	Standard Deviation	Not relevant	Hardly Relevant	Undecided	Relevant	Highly Relevant
Company's annual report and accounts	4.33	5	5	0.91	3.6	2.3	2.0	41.7	50.3
Company history and activities	4.13	4	4	0.97	4.0	4.5	3.5	50.7	37.3
Management performance of the company in recent years	4.08	4	4	0.99	4.4	4.3	5.6	49.9	35.8
Age and company size	3.86	4	4	1.03	4.6	9.4	5.4	56.6	24.1
Analysis of past funding	3.80	4	4	1.11	7.1	7.5	8.3	52.8	24.3
Future business plans	3.70	4	4	1.10	5.6	12.1	10.4	50.4	21.5
Documents and personal details of partners/shareholders	3.55	4	4	1.18	7.4	15.8	9.8	48.2	18.8
Attitude of the company's managers towards debt	3.45	4	4	1.26	12.4	11.9	12.4	45.0	18.4
Age and seniority of the company's manager	3.29	4	4	1.25	10.0	22.6	10.8	41.5	15.1
Corporate and equity value of the owner(s)	3.25	4	4	1.30	14.9	15.8	12.6	42.4	14.3
Willingness of the partner to enter into financing	3.19	4	4	1.27	15.3	15.1	16.8	40.6	12.2
Excessive dependence/concentration on a few clients and suppliers	3.15	4	4	1.23	13.5	18.5	17.7	40.2	10.1
Duration of the relationship with suppliers	3.12	3	4	1.28	12.0	25.9	12.6	37.6	12.0
Secured succession of the company	2.74	3	4	1.28	23.1	22.7	18.3	28.9	6.9
Analysis of company managers' political exposure	2.34	2	1	1.26	35.0	23.8	18.1	18.4	4.7
Analysis of company's managers' way of life	2.09	2	1	1.16	40.0	31.5	11.4	13.9	3.2
Analysis of company managers' hobbies	1.86	2	1	1.05	48.2	30.0	10.9	9.3	1.6

Source: own elaboration.

Companies have the perception that harmonious working relationships are important for them, as are instructions on the operations to be performed by employees in their work, and the company's policy to preserve its public image (Table 5). These results are identical to those presented by Nawi (2015), Serrasqueiro et al. (2020), Madaleno and Vieira (2020) and Borralho et al. (2020).

Table 5. Companies' perception of their management and the evolution of the economy and society.

	Average	Median	Mode	Standard Deviation	Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement
Harmonious working relations are important for the company	4.36	4	4	0.72	0.6	1.1	7.6	42.7	48.0
Instructions on the operations to be carried out are important for employees at work	4.18	4	4	1.72	0.7	1.5	10.2	54.6	33.1
Preserving its public image is one of the company's main policies	4.08	4	4	0.87	1.5	2.9	15.7	45.5	34.3
Standard operating procedures are useful for employees at work	3.92	4	4	0.74	1.0	2.4	16.5	60.7	19.5
Details of work requirements and instructions are important	3.88	4	4	0.72	1.1	2.9	21.4	55.9	18.7
Company regulations inform employees of what is expected of them	3.82	4	4	0.81	1.6	4.0	21.9	55.5	17.0
The survival of my business is highly dependent on the country's economy	3.74	4	4	0.98	2.9	8.5	21.6	45.4	21.6
Rigid government rules and regulations can impede the viability of my business	3.69	4	4	1.00	2.5	10.5	24.0	41.8	21.2
One wrong decision can easily threaten the viability of my business	3.55	4	4	1.02	3.0	15.1	21.7	44.7	15.5
Social pressure can affect my business	3.35	4	4	1.05	5.7	15.7	27.7	39.7	11.2
The failure rate of businesses in this sector is high	3.09	3	3	0.97	4.4	23.1	37.5	28.7	6.2
There are large investments and marketing opportunities in this sector	3.06	3	3	1.01	6.9	22.4	33.6	32.1	5.0
My company often has to change its marketing practices	3.00	3	3	0.97	6.6	23.1	38.3	27.6	4.3
It is easy to stay afloat in this sector	2.70	3	2	1.04	10.6	38.0	26.5	21.1	3.9
An aggressive funding policy is important to the company	2.66	3	3	1.04	15.1	27.7	36.4	17.4	3.4
Achieving the partners'/shareholders' goals is important to the company	2.46	2	2	1.12	24.3	28.1	27.6	16.9	3.1
There is little threat to the survival and well-being of my business	2.37	2	2	1.03	18.5	45.6	18.5	14.6	2.7
The success of the partners/shareholders is more important than that of the employees	2.19	2	2	1.07	31.0	34.6	21.8	9.8	2.9
The interests of the members/shareholders are more important than those of the employees	2.16	2	2	1.02	31.2	33.9	24.6	8.2	2.0

Source: own elaboration.

Note that items with higher average values on what concerns business management perception and the evolution of the economy and society are important for defining the strategy and continuation of corporate business. We can verify by the responses obtained (higher average values) that there is a strong relationship between the company's performance and the evolution of the economy and society in general.

Companies understand that the factors affecting decisions on the appropriate amount of debt (Table 6) are the nature of the business, its life cycle stage and the volatility of cash flows and accounting results. They do not perceive the level of debt to be an incentive for senior managers to work harder, to be associated with potential costs of insolvency, or to discourage potential buyers. These results are in line with the study of Vieira (2013) and Nawi (2018). It can be perceived that, in agreement with financial theory, companies seek to project an image of stability and financial robustness, refrain from financing themselves at a level that does not allow future recourse to credit, and seek to finance themselves with the lowest cost credit.

Table 6. Factors affecting companies' decisions on the appropriate amount of debt.

	Average	Median	Mode	Standard Deviation	Without Any Kind of Significance	Minor Importance	Medium Importance	More Importance	Great Importance
Nature of your business	3.49	4	4	1.12	8.3	6.4	32.2	33.9	19.2
Stage of the business life cycle	3.45	4	4	1.05	7.3	6.9	33.8	37.8	14.2
Volatility of cash flows	3.42	4	4	1.07	7.5	8.6	32.8	36.7	14.4
Volatility of accounting results	3.36	3	3	1.16	9.4	9.7	33.0	30.8	17.1
Rating classification	3.30	3	3	1.15	10.6	8.6	36.5	29.3	15.0
Tax advantage (interest is tax deductible)	3.20	3	3	1.25	14.2	12.0	29.1	28.8	16.0
The fact that limiting the use of borrowed capital provides customers and suppliers with a stable financial situation	3.19	3	3	1.14	12.1	9.6	37.5	29.2	11.7
The lowest cost of financing when compared to issuing bonds and/or shares	3.18	3	3	1.26	15.1	8.9	35.8	23.1	17.1
A new level of indebtedness signals the capacity for growth in the company's results	3.01	3	3	1.11	13.2	13.2	40.3	25.3	7.9
Debt/equity ratio of other companies in the industry	3.01	3	3	1.09	13.5	10.7	44.8	24.3	7.6
The fact that new financing signals to competitors that the company will not reduce installed capacity or production	2.96	3	3	1.14	15.0	13.3	40.2	23.2	8.3
The fact that the level of indebtedness discourages potential buyers	2.80	3	3	1.25	21.9	14.8	35.0	18.3	10.0
Potential costs of insolvency	2.75	3	3	1.21	22.0	14.1	40.4	14.5	9.0
The fact that the level of debt is an incentive for senior managers to work harder	2.73	3	3	1.11	19.5	15.3	42.5	17.7	5.0

Source: own elaboration.

The results in Table 7 show that companies choose their level of debt so as to minimise the weighted average cost of capital, thus giving prime importance to the stability of their financial structure. They also believe that debt is preferable to issuing convertible bonds and even preferable to increasing capital. These results are in line with those presented by Pamplona et al. (2017), Vieira and Novo (2010), Tavares et al. (2015), Vieira (2013) and Pettit and Singer (1985).

Table 7. Factors influencing the decision to resort to debt and its impact on the capital structure.

	Average	Median	Mode	Standard Deviation	Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement
We choose the level of debt so as to minimise the weighted average cost of capital	3.03	3	3	0.93	8.2	13.2	50.0	24.3	4.2
All things being equal, debt is preferable to issuing convertible bonds.	2.91	3	3	0.97	10.0	18.7	45.9	21.8	3.7
All things being equal, debt is preferable to capital increase (of quotas or share issue)	2.87	3	3	0.98	9.5	24.4	39.1	24.1	3.0
We have a preference for debt because of our close relationship with banks	2.86	3	3	1.08	14.1	19.7	36.4	25.9	4.0
When accounting results are not sufficient to meet investment needs, it is preferable to take out a new loan rather than increase capital	2.84	3	3	1.02	10.4	26.8	34.7	24.8	3.3
Debt through a bank loan is preferable to a bond issue because it reduces disclosure	2.81	3	3	0.95	12.0	17.8	50.2	17.3	2.8
We want to avoid increasing equity (increasing quotas or issuing shares) as much as possible	2.77	3	3	0.98	12.4	20.8	48.3	14.4	4.0
Debt is preferable to equity because it has lower costs to obtain	2.77	3	3	0.98	12.8	20.5	46.8	16.8	3.1
All things being equal, if accounting results are insufficient for investment needs, it is better to postpone investments than to make a capital increase	2.77	3	3	1.04	13.5	22.6	42.0	16.9	5.0
Debt is preferable to equity because it reduces disclosure	2.56	3	3	0.91	15.5	24.5	49.6	9.0	1.4
All things being equal, new debt signals to the market that the company considers its equity to be undervalued	2.47	3	3	0.91	19.4	22.7	50.1	7.0	0.8
Debt maximisation is a good way to ensure that the company's managers make decisions that maximise partners'/shareholders' wealth	2.34	3	3	1.00	27.0	22.3	41.6	8.0	1.1
We took out a new loan to finance a share buyback	2.19	2	3	0.97	33.0	20.6	41.6	4.2	0.6
A high level of debt is required to ensure that managers make decisions to maximise partners'/shareholders' wealth	2.16	2	3	0.93	31.2	26.2	38.3	3.8	0.6

Source: own elaboration.

Companies disagree that the level of debt maximises shareholder wealth and that borrowing is the way to finance share buybacks (Table 8), which is in alignment with Tavares et al. (2015), Serrasqueiro et al. (2020), Vieira (2013), Vieira and Novo (2010), Durand (1952), Graham and Harvey (2001) and Henrique et al. (2020).

Table 8. Important factors in managing the capital structure of companies.

	Average	Median	Mode	Standard Deviation	Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement
We prefer medium- and long-term debt to minimise the risk of new funding in "difficult economic times"	3.37	3	3	1.01	6.2	9.1	38.3	34.4	12.0
We match the maturity of the debt to the duration of the respective assets	3.18	3	3	0.96	7.2	10.1	46.7	29.3	6.8
We resort to debt when interest rates are low	3.15	3	3	1.05	8.4	15.5	36.5	31.5	8.0
Short-term financing reduces the likelihood of accepting investment projects with a higher level of risk	2.89	3	3	0.94	10.3	16.7	49.8	20.4	2.9
We use short-term debt when we expect lower interest rates	2.71	3	3	0.95	13.2	22.0	47.3	15.7	1.8
We resort to debt if we believe that the company's equity is undervalued	2.62	3	3	0.86	11.5	26.6	50.8	9.8	1.2

Source: own elaboration.

5. Conclusions

The objective of this study was to understand the financing sources of Portuguese companies during the COVID-19 pandemic and the relevance of the different banking products for these companies. It was also intended to uncover the determinants of a company's decision on financing and what underlies the company's decision on the appropriate amount of debt. During this pandemic, Portuguese companies considered receipts from clients, payments to suppliers and the availability of cash and banks to be of greater importance. Therefore, we can conclude that during the COVID-19 pandemic, the banking products used and the factors influencing companies' decisions regarding the appropriate amount of debt were not different from the pre-pandemic period. Companies presented great concerns not only with financial risks but also with image and operational risks. This focus on the management of liquidity and risk, even higher than that of the pre-pandemic period, allows concluding that during the COVID-19 pandemic there are few differences in the utilized banking products and the company's decision-making factors concerning the adequate indebtedness amount. Although there is an economy support line (LAE-COVID) that was utilized by 29.6% of the companies in the sample, every other financing form presents products identical to the pre-pandemic period.

We can conclude that 49.6% of the respondents considered that they were in a phase of stability in their life cycle and 39.8% were in a healthy phase of growth, despite the pandemic crisis. More than half of the companies worked with two to three banks, and the financial product most used was the bank current account, followed by medium- and long-term loans. Companies sought diversification in terms of banks and banking products to reduce interest rates and increase their bargaining power with banks, and have alternative choices concerning the banks with which to work.

Regarding the relevance of banking products during this pandemic, a distinction should be made between short-term and medium- and long-term financial products. Thus, in the short term, the bank current account stands out and in the medium and long term, medium- and long-term loans do, as well as leasing and financing with recourse to a mutual guarantee (support given by the state—COVID Line). We conclude that, as far as companies are concerned, there is a perception that to access financing, it is necessary to present company reports and accounts, as well as have a history of compliance with the credit institutions and a good business management performance in recent years. As for

the state-funded support—LAE-COVID—until the date of the questionnaire's distribution, only 29.6% of the companies had used this financing line, which is a low percentage.

For Portuguese companies during the COVID-19 pandemic, it was important to create harmonious working relationships, give clear instructions to employees and, in particular, preserve their public image. Regarding the determinants of a company's decision on the appropriate amount of debt, it depends on the nature of the business, the stage of its life cycle, and the volatility of cash flows and accounting results, as well as the company's rating and the tax advantage it may obtain.

We conclude that the financing strategies of companies in Portugal during the COVID-19 pandemic do not differ from the most recent academic studies presented in the literature review, except for the state-funded support through the COVID-19 line. However, a strengthening of procedures and practices was observed, as companies sought to scrupulously comply with the guidelines for prudent corporate financial management practices, motivated by concern about the crisis experienced.

This study can serve as a basis for future work in this area to help understand how companies perceive the relationship between indebtedness, the company's image, and its financial structure. This work is also important for policymakers because it allows observing the results of their economy stimuli policies during the period of the pandemic with the Economy Support Line LAE-COVID. In fact, in Portugal there is a gap of studies that compare the incentives provided to SMEs and to public companies during the pandemic. In future works, we incentivize researchers to work on some limitations of this paper; namely, to analyse the financing strategies of companies for a larger period and to utilize more sophisticated methodology, such as a statistical analysis based on econometric models.

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