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Did COVID-19 Increase the Proportion of Financially Constrained Firms? The Case of the Greek Construction Industry

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Abstract: This paper uses a paired sample of 176 firms from the Greek construction industry for the years 2019 and 2020 to test the hypothesis that COVID-19 did not cause the proportion of financially constrained firms to increase from 2019 to 2020. The construction industry, which builds new buildings, roads, bridges, *among others*, is important because it creates many jobs economywide as it is labor intensive and is related to many other industries, e.g., architecture, construction materials, machinery and tools, transportation, utilities, waste management, etc. The lockdowns caused demand in every industry to fall, thus causing the sales of many producers and retailers to shrink. This increased the need for loans for operational capital, while simultaneously making it riskier for banks to approve new loans, especially for construction firms, which usually need large amounts of funds to complete their projects. Thus, as I expected, the McNemar test strongly rejects the above hypothesis.

Keywords: COVID-19, Liquidity Constraints, McNemar Test

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