

Impacts of the COVID-19 Pandemic on Large-Scale Firms in Nepal

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We document the impact of the Covid-19 pandemic on large-scale firms in Nepal and their response to the new challenges using a mixed-method approach. We find that the average monthly production, revenue, profit, and employment in almost all types of large-scale firms in Nepal decreased during the pandemic. Among the different types of firms in Nepal, tourism sector firms were the most affected, whereas energy firms were among the least affected. We find that the age, sex, educational qualification, work experience, managers' skills and foresight, age of the firm, total capital, type of ownership and sector of firms were the key factors moderating the impact of the COVID-19 pandemic on large-scale firms.

Introduction

The Corona Virus Disease (COVID-19) was identified first in Wuhan, China in December 2019 and rapidly spread around the globe. The pandemic ruthlessly affected almost all aspects of human life—the industrial sector as well. Millions of people in the world died from COVID-19 (UNDESA, 2021). The pandemic also severely affected large-scale firms in Nepal. Despite having relatively few death cases (11,293 deaths as of 18 October 2021, MoHP, 2021), Nepal was affected by COVID-19 in various ways. In order to prevent and control the spread of infections, the government declared a lockdown in the country on March 24, 2020 (GoN, 2020) and released an eight-point order to regulate the lockdown period, which prohibited the movement of the general public outside their homes except to seek medication and to purchase essential foodstuff. All public and private vehicles without prior permission from the concerned authority, such as the Chief District Officer (CDO) or the Ministry of Home Affairs, except health workers and personnel of the security forces, were barred from driving on the street (Pradhan, 2020).

Policy Context

The industrial sector was one of the most affected sectors by Covid-19 of the Nepalese economy. Nepal has over 400,000 cottage and small-scale, 1,849 medium-scale, and 1,165 large-scale firms (DoCSI, 2020; DoI, 2020), and almost all the firms were closed. As the duration of the lockdowns was uncertain, so was the reopening of the firms. The lockdowns affected the production of new goods and services as well as the clearance of stock, and caused damage to the raw materials of firms, logistics and supply chains, marketing, firm and labour relations, among others. Many firms struggled in repaying bank loans, while employees also faced numerous problems during the crisis. Despite the severe effects of COVID-19 on firms, the intensity of the impacts was not uniformly distributed: different firms were affected to different degrees. In this context, this study aimed to assess the impact of COVID-19 on large-scale firms, to identify the factors moderating its impact, to discover these firms' new policy/strategic initiatives for coping with the new challenges created by the pandemic, and to explore the lessons learned.

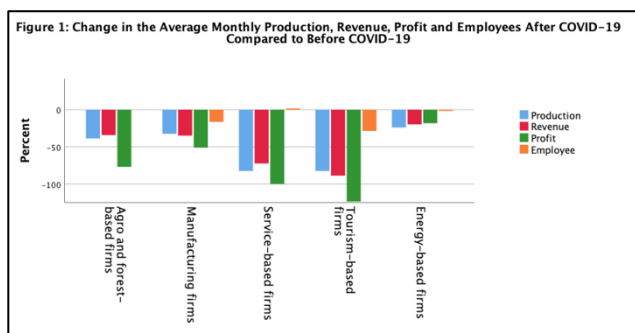
Methodology

This study adopted mixed methods research. The impact of the COVID-19 pandemic on large-scale firms and the factors moderating the impact of the pandemic on large-scale firms were assessed using quantitative data,

and the policies and strategies adopted by the large-scale firms to cope with the challenges created by the pandemic were explored using qualitative data. The data were enumerated from 102 large-scale firms in Nepal using an online survey form. Multiple regression models were run in order to identify the factors moderating the impacts of the COVID-19 pandemic on the firms.

Main Findings

The study revealed that the average monthly production, revenue, profit, and employment in almost all types of large-scale firms in Nepal decreased during the COVID-19 pandemic. Only service-based firms were found to hire a few more employees. Among the different types of firms in Nepal, tourism-based firms were the most affected. However, energy-based firms were found among the least affected (Figure 1). More than one-fourth of the large-scale firms surveyed for this study were temporarily closed due to the challenges related to the COVID-19 outbreak; nearly half of the firms remained open. A large majority of the large-scale firms changed their business model to reduce being in direct physical proximity with customers, thus making both the firm employees and customers safe, and in this way, the employees could work and customers could receive the goods and services.



The study discovered that the age, sex, educational qualification, work experience, managerial skills and managerial foresight of the managers or higher authorities, age of the firm, total capital, type of ownership and sector of firms were the key factors moderating the impact of the COVID-19 pandemic on large-scale firms. Among these factors, managerial skills and managerial foresight appeared to positively moderate the production of the firm during the

pandemic. The work experience, age of the firm, being service- and tourism-based firms tended to negatively moderate the production of the firm during the pandemic. The sex of the managers or higher authorities (being male) and managerial skills seemed to positively moderate the sales of large-scale firms during the pandemic. The work experience of the managers or higher authorities, total capital, firms having partnership ownership, being private, being service- and tourism-based firms, tended to negatively moderate the sales of large-scale firms during the pandemic. The work experience, managerial foresight of the managers and higher authorities, age of the firm, firm having individual ownership, being manufacturing and energy-based firms appeared to positively moderate the profit of large-scale firms. The age and educational qualification of the managers or higher authorities and total capital of the firm tended to negatively moderate the profit of the large-scale firms.

The large-scale firms in Nepal adopted several mixed policies in order to cope with the challenges created by the COVID-19 pandemic. The highest percentage of them adopted the new policy of maintaining social/physical distance in the workplace and continued work in the firm following such policies as COVID-19 insurance for the workers, working from home, decreasing production, furloughing workers, investment in new digital technologies to work from home, decreasing additional allowances/facilities of the workers that stayed at home, decreasing the wage/salary of the workers that stayed at home, downsizing the number of workers in the firm, shifting/diversifying production in order to meet the new demands, “no work no pay” for workers, increasing production, increasing the wage/salary of the workers that worked at the firm, investment in new digital technologies to support remote and onsite workers, reduction in pay and other operation costs, relocating production to a new city in order to meet the new demands, life insurance for employees, adjusting

the absence of employees during COVID-19 period according to the number of leaves that they had earned in the past, and no visitors in the workplace.

Large-scale firms learnt various lessons from the COVID-19 pandemic in terms of developing the resilience capacity to cope with the impacts of such pandemics in the future. According to the large-scale firms, firms should have living quarters and canteen facilities for their staff and workers; develop digital infrastructures; invest in infrastructures having health safety measures; focus on hiring skilled staff and workers; should not overly rely on foreign experts; have their own transportation services for the staff and workers; have proper human resource (HR) policies; focus on digitalisation of the business in the future; strengthen information technology systems; focus on adopting more technology and less labour force; maintain possible stock of raw materials; have local suppliers of raw materials and other necessities to operate the firm; focus on product diversification; focus on producing essential goods; give priority to local markets for its business; adopt online business models; maintain possible stock of finished goods; should not rely on only one supplier and technical team; operate at minimum costs in order to survive in the future; have a proper financial management system; have good financial back-up; maintain a buffer of working capital, if possible, for times like this in order to assist with business survival; manage proper stock of consumable and spare parts, and have special contingency plans for human resources, and technology management and business operations in order to develop the resilience capacity needed.

Policy Implications

We found that the work experience, managerial skills, managerial foresight of the managers or higher authorities of the firm, as well as working capital, appeared to positively moderate the impact of the COVID-19 pandemic on large-scale firms. This suggests that firms should hire managers or higher authorities with longer work experience, or strengthen the managerial skills and managerial foresight of their current managers or higher authorities.

One result is that the manufacturing and energy-based firms seemed to be less affected by the negative effects of the COVID-19 pandemic compared to other types of firms. Thus a policy recommendation for the government would be to encourage newcomers in large-scale industry to enter the manufacturing and energy sector in order to be relatively less affected by the effects of such pandemics on profit.

Moving Forward

We have two recommendations for future research. First, we recommend to adopt a mixed approach for collecting data regarding the impacts of such pandemics on firms so that the quantitative results can be supplemented as well as triangulated with qualitative results, for example in case studies. In fact, the data collection for this study mainly relied on a structured online form. Due to the limitations of this form, in-depth information about the impacts of the COVID-19 pandemic on large-scale firms was not included.

Second, while this study incorporates all types of large-scale firms, different sectors might have been impacted differently by the COVID-19 pandemic. Therefore, future researchers are suggested to focus on specific sectors such as manufacturing, service-based, tourism-based, energy-based, and so on to study the impact of such pandemics so that sector-specific recommendations can be made to concerned policymakers and authorities.

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