

**ENTREPRENEURS'  
RESPONSES TO COVID-19  
CRISIS IN NEPAL**

*Concept and Design By:  
Center for Research and Development  
King's College  
Nepal*

*Collaborators  
King's Incubator  
Antarprerana  
The Samriddhi Foundation  
Jobs Dynamics  
Clock b Innovations*

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# TABLE OF CONTENTS

Researchers	3
Executive Summary	4
Introduction	5
Methodology	6
Findings	7
1. Sectorial Distribution of Enterprises	7
2. Business type and year of registration	7
3. Gender composition of founders	8
4. Mode of operation by sector	9
5. Revenue in 2019 by sector	10
6. Total asset value by sector	11
7. Awareness of COVID-19 Crisis Before the Lockdown	12
8. Impact against total asset valuation of enterprises	14
9. Direct impact of COVID-19 by sector	15
10. Direct Impact of COVID-19 by Mode of Operation	16
11. Direct Impact of COVID-19 against Number of Employees	18
12. Change in Revenue during COVID-19 crisis by Sector	19
13. Impact in Business Functions against Sector	20
14. Resource Sufficiency by Sector	21
15. Satisfaction on Current Way of Working by Mode of Operation	22
16. Frequency of Expected Nature of Support	23
17. Support by business functions	24
18. Source of resistance	25
19. Time Utilization During COVID-19 Crisis	26
Conclusions and Way Forward	28

# RESEARCHERS

Upasna Acharya

Sujan Dangal

Samip Dhungel Upadhya

Chittaranjan Pandey

Bikesh Gautam

Anuj Tiwari

© Center for Research and Development. Please feel free to reach [anujtiwari@kingscollege.edu.np](mailto:anujtiwari@kingscollege.edu.np) in case of questions or suggestions.

<sup>1</sup> Mentions



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# EXECUTIVE SUMMARY

In order to understand the effect COVID-19 is having on Nepali enterprises, CERAD led a research among 106 ventures. To accurately evaluate and report the effects, the businesses were arranged into five categories based on the size of their assets and into ten groups based on the sector of their activity.

A little over 50% of the organizations reported that they were unaware about the impending crisis. The report likewise explores the actions these organizations made as a preparation for this crisis.

In terms of impact, across all asset-valuation brackets the percentage of those that reported high-impact is highest, this suggests that most enterprises across all asset-valuation brackets were forced to suspend their operations. However, 7.5% of enterprises reported a favorable impact of the crisis due to increase in demand. While all other sectors had one or two companies reporting increase in revenue, no company within the construction sector reported any increase in revenue.

In terms of survival, the service sector is most affected. Service sector for this study included enterprises like investment firms, travel agencies, environment services and so on. Logistics, Education and Food and Beverages were treated separately. IT companies are doing better, 50% of the companies in the IT sector reported that they can sustain for over three months with the available resources.

Investments and grants, loans and office rent waiver were the most reported nature of support entrepreneurs would want. This is reflected by the fact that

Finance was the most frequently mentioned business function where entrepreneurs reported the need of support.

Entrepreneurs are capitalizing on the lockdown period focusing on product development, building creative content, identifying new business opportunities to diversify their offers, and are re-evaluating their business development plans.

This report is a part of the continuous effort CERAD places in studying and generating knowledge about the entrepreneurial ecosystem in Nepal.

# INTRODUCTION

When the Coronavirus disease (COVID-19) first appeared in December, 2019 in China, few had anticipated the sheer impact it would go on to have globally. Only in March 2020, when the World Health Organization (WHO) declared COVID-19 outbreak as a pandemic that countries with few to no cases of infection, including Nepal, began to scramble together an emergency preparedness plan. As the outbreak spread like wildfire within and across countries at exponential speed, the daily lives of people, and consequently economic activities, were virtually ground to a halt. In Nepal, like elsewhere, enterprises, small and large, hurriedly assessed the possible impact of the outbreak and developed strategies to continue their operations. Tourism and other related sectors, were among the earliest victims and, possibly, the hardest hit.

The actual impact of the crisis on enterprises, particularly small enterprises, has so far not been studied thoroughly due, largely, to the fact that not enough time has passed for the actual impact to be accurately assessed. Most of what we know about the impact of the crisis on entrepreneurship in Nepal is based on anecdotal evidence and speculation. A study on the impact of COVID-19 on the startups across the globe places 41 percent of global startups in the 'red zone' with three months or less of cash runway at their disposal, 74 percent globally and 59 percent in Asia have had to lay off full-time employees since the crisis began while tech startups have been able to continue their operations unscathed even in lockdown scenarios (Startup Genome, 2020)<sup>2</sup>.

Given that empirical studies on the impact of COVID-19 on entrepreneurs in Nepal are non-existent, it was opportune for us to have conducted a survey with the objectives of studying the impact on business operations, the resilience of

entrepreneurs in responding to the crisis and the areas in which they seek assistance.

The survey is confined to the study of crisis impact on entrepreneurs mostly within the Kathmandu valley with a few entrepreneurs outside the valley. It is a preliminary study of the impact and the requirement of detailed assessment can't be denied. The impacts of the crisis are defined in terms of business functions. Convenience sampling, as used in this study, usually comes with a limited sample, therefore proportionate sectoral diversity can't be fulfilled. Thus, the findings of this survey cannot be generalized on a sectoral basis.

In the sections that follow, we discuss the methodology in section two, present the findings in section three and finally conclude along with a brief discussion on the way forward in section four.

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<sup>2</sup> See details at <https://startupgenome.com/blog/covid19-insights-global-startup-survey>

# METHODOLOGY

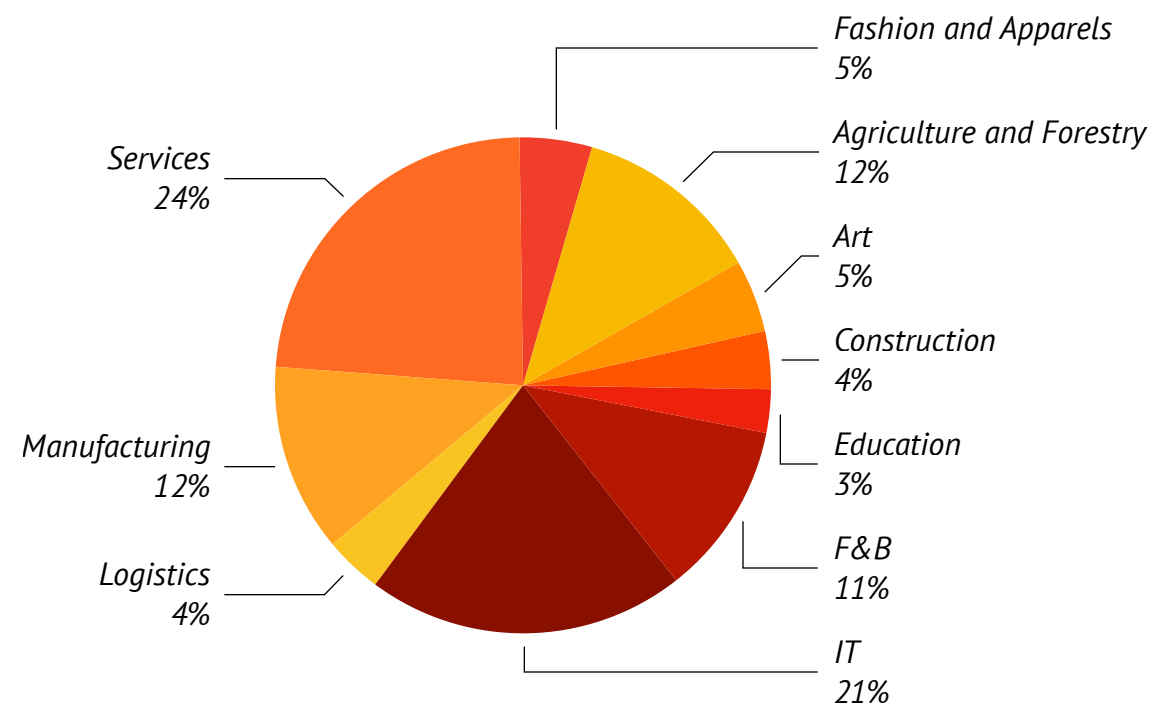
This study employed a quantitative approach to survey the respondents within Kathmandu valley with a few entrepreneurs outside the valley based on the identified categorical factors. To enhance the number and unbiased outreach, respondents from various sectors were also reached out through the collaborators. A total of 106 enterprises were sampled on the basis of convenience. Among these enterprises, 172 males and 52 females totaling 224 entrepreneurs built up the founding team across 10 different sectors like Agriculture & Forestry, Art, Construction and so on. The samples not just represent various genders and sectors but also represent the enterprises of different sizes based on total assets and number of employees.

The survey precisely focused on the major impacts brought about by COVID-19 crisis and the major responses that have been made by the entrepreneurs for their respective businesses.

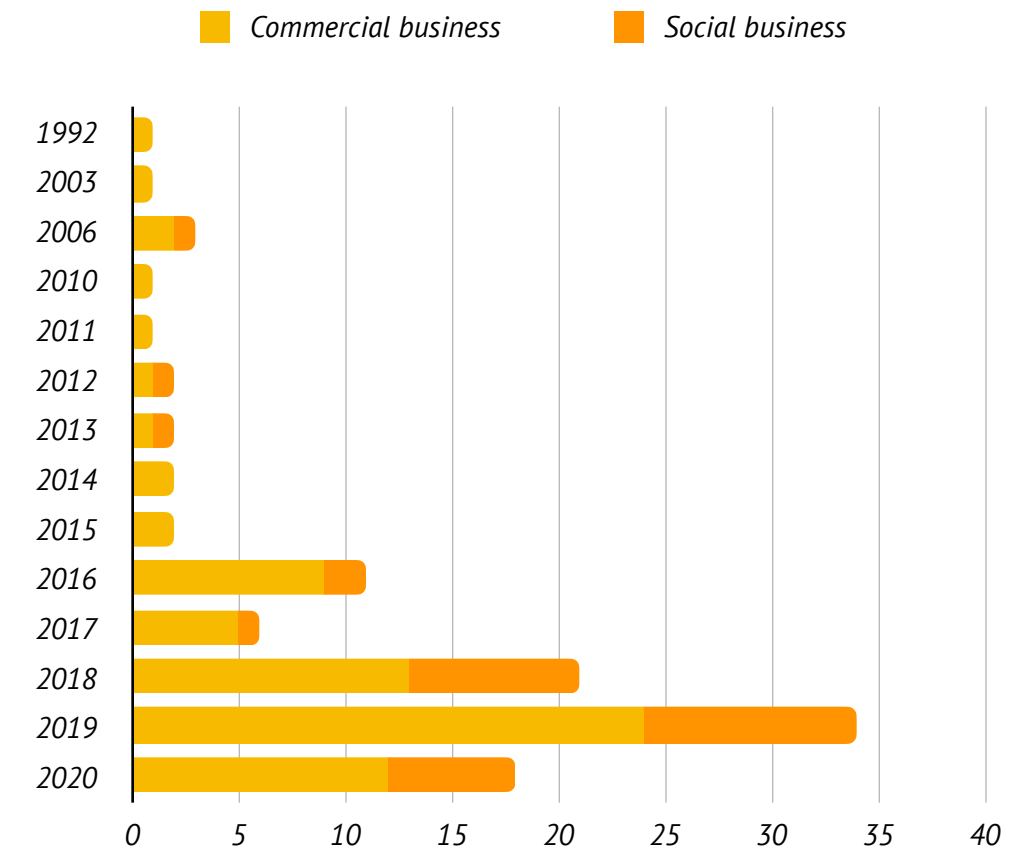
The survey was designed and administered using Google Forms to maximize the reach while the data obtained from the survey were analyzed using MS-Excel and graphical representations were created in Pages.

# FINDINGS

## 1. Sectorial Distribution of Enterprises

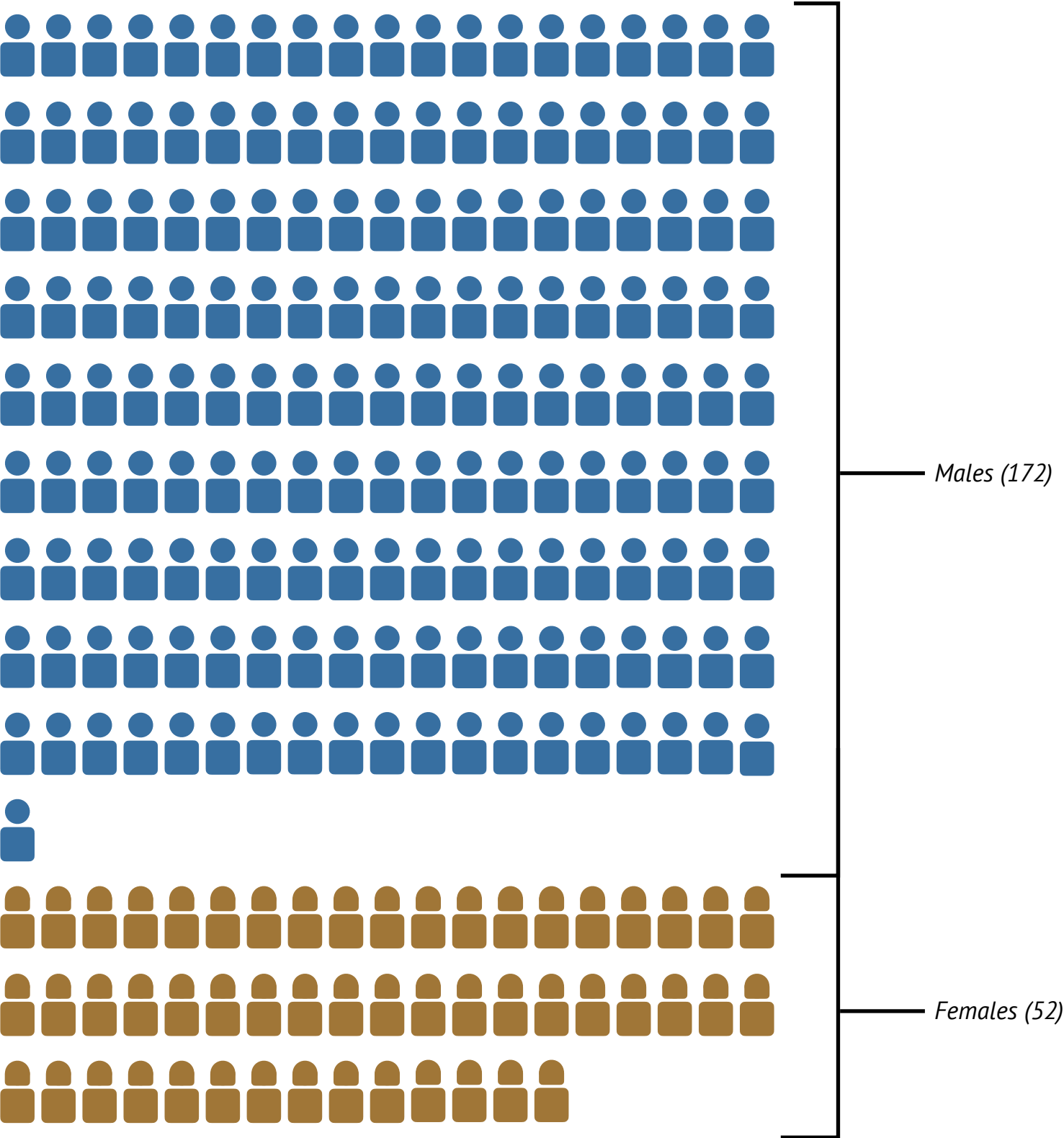


## 2. Business type and year of registration



103 enterprises out of 106 responded to this question, for which 32 identified them as social business leaving 71 as commercial business. Majority of enterprises were registered in the last five years; 63 as commercial business and 27 as social business. With this, there was an enterprise dating back to 1992 that participated in the survey, and for social business the oldest one was registered in the year 2006

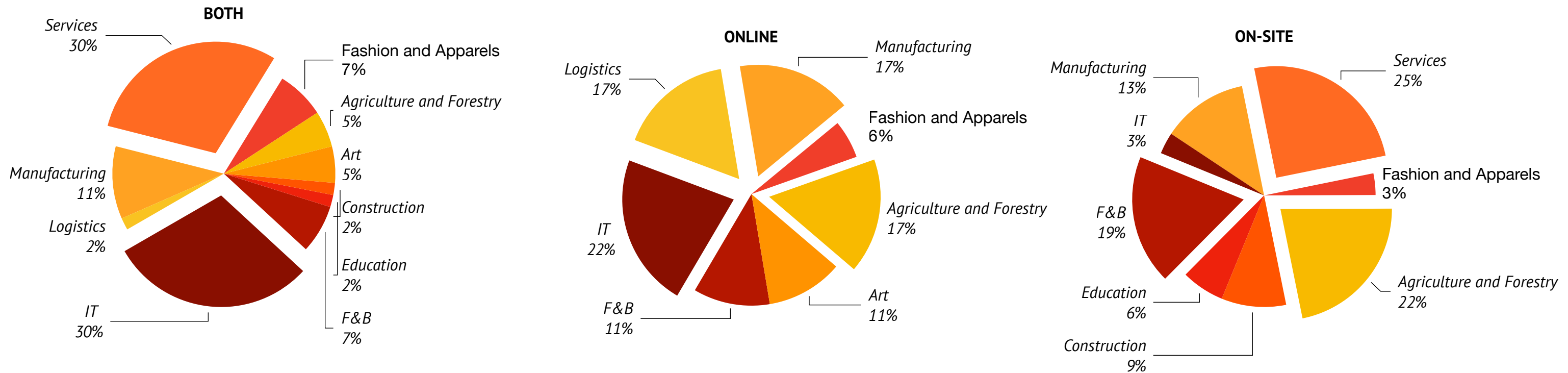
### 3. Gender composition of founders



The study also surveyed the gender composition of the founder members of the enterprises. If we consider the overall gender composition, the total of male founding members is 172 while that of female founding members is 52. Similarly, 40 enterprises have single-male founders while 9 have single-female founders. 69 enterprises have only male founder(s) while 13 enterprises have only female founder(s).



## 4. Mode of operation by sector

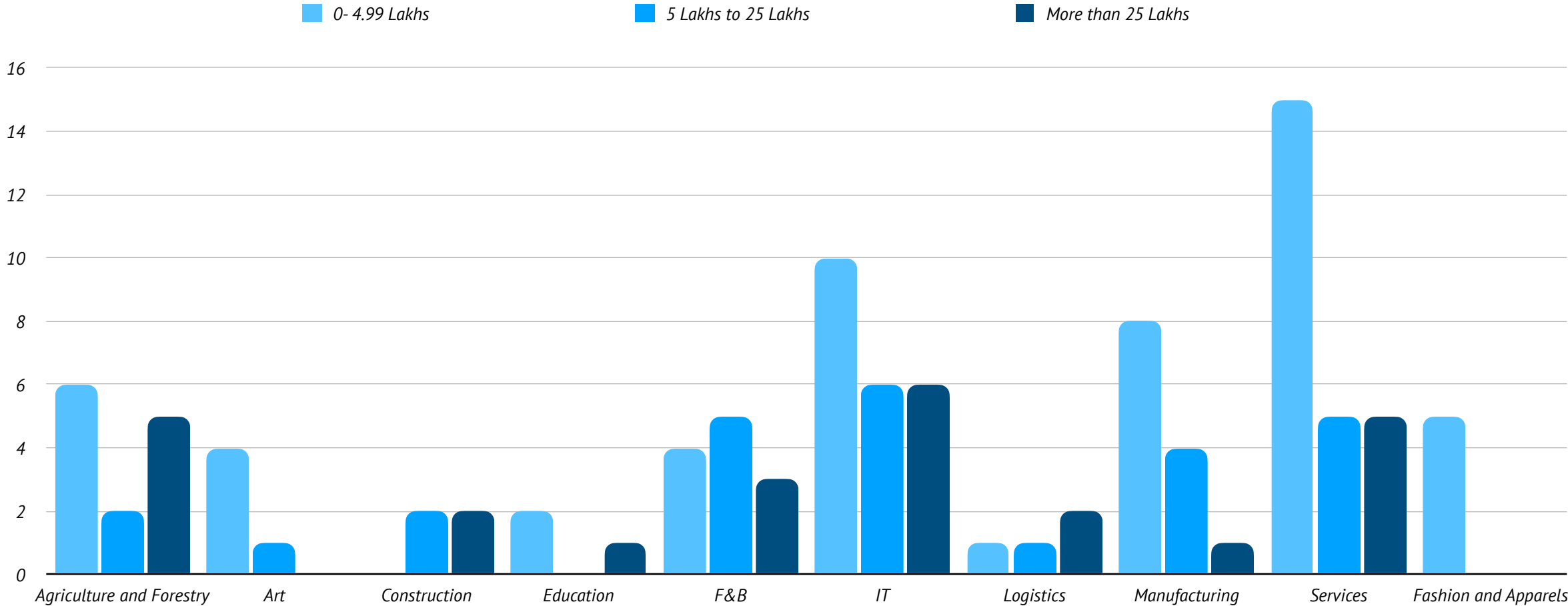


The figures represent the sectoral distribution of the surveyed enterprises in terms of their general mode of operation (Online, On-site and both). Predictably, the IT sector has the highest number of enterprises whose general mode of operation is online. However, this number is only marginally higher compared to other sectors. The IT sector also has the highest number of enterprises whose mode of operation is both online and on-site which is a tie with the services sector. Sectors such as Food and Beverages,

Manufacturing, and Fashion and Apparel are operated both online and offline largely due to the fact that their marketing and sales are based on online platforms.

The number of enterprises in the Services sector whose mode of operation is on-site is the highest and this number is marginally higher than that in Agriculture and Forestry.

# 5. Revenue in 2019 by sector



All enterprises in the study were categorized among three revenue groups, below 5 lakhs, 5 to 25 lakhs, and above 25 lakhs.

Over 50% of the enterprises in our sample reported that their revenue generated in 2019 was under NRs. 5,00,000 /-. 26 enterprises were in the revenue bracket between 5 and 25 lakhs, and 25 enterprises reported to have generated revenue above 25 lakhs.

Among 10 sectors, Services was represented by 25 enterprises. Among them 15 generated under 25 lakhs, there were 5 each in the other two revenue categories.

The IT sector showed a similar distribution with 22 enterprises in the sample. Among them 10 generated revenue under 5 lakhs and the other revenue groups had 6 each.

Art and Fashion and Apparels were two sectors where no enterprise reported generating above 25 lakhs.

## 6. Total asset value by sector

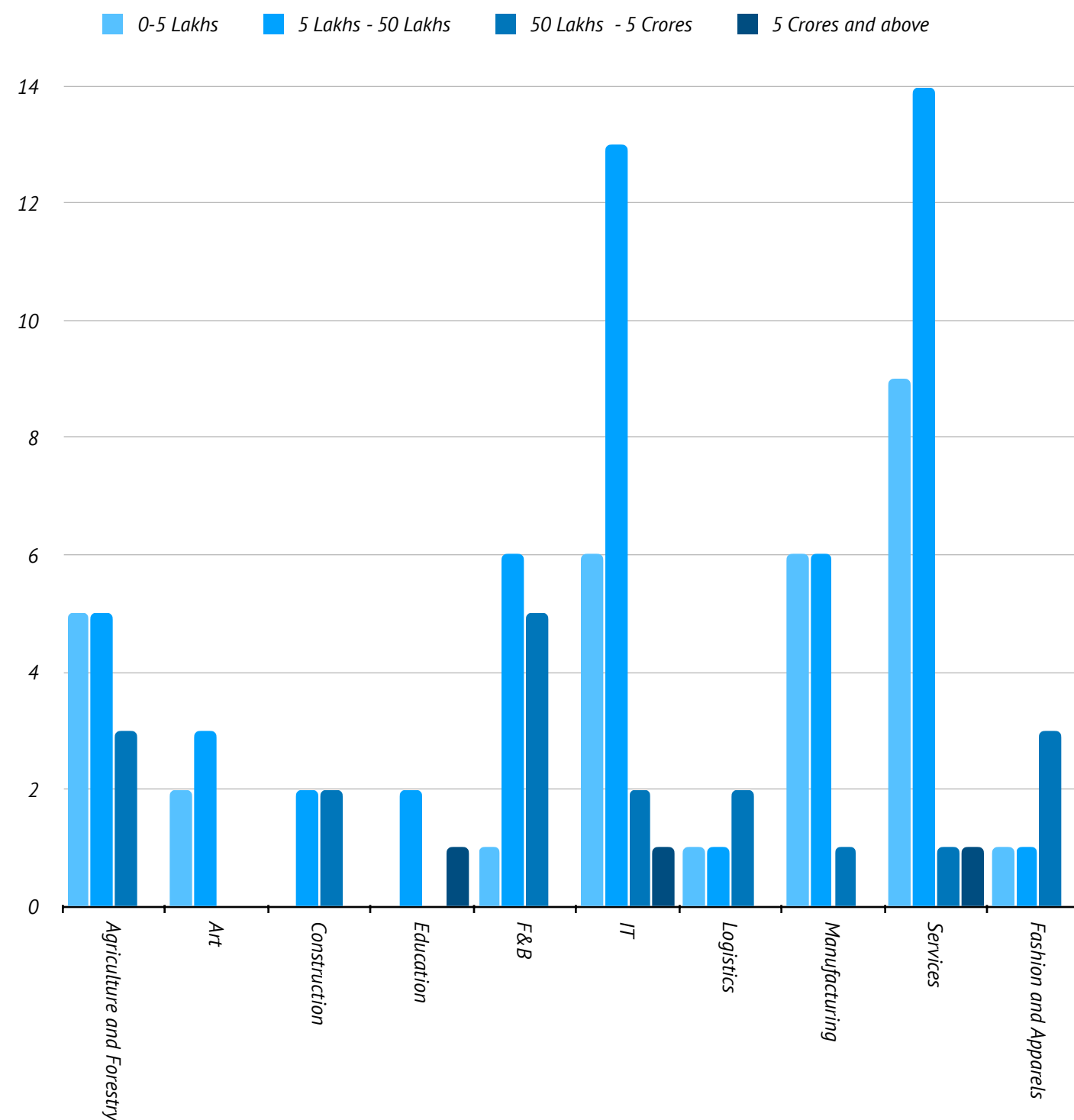
We divided the enterprises under four asset groups.

29% enterprises reported that they valued their assets under NRs. 5 lakhs.

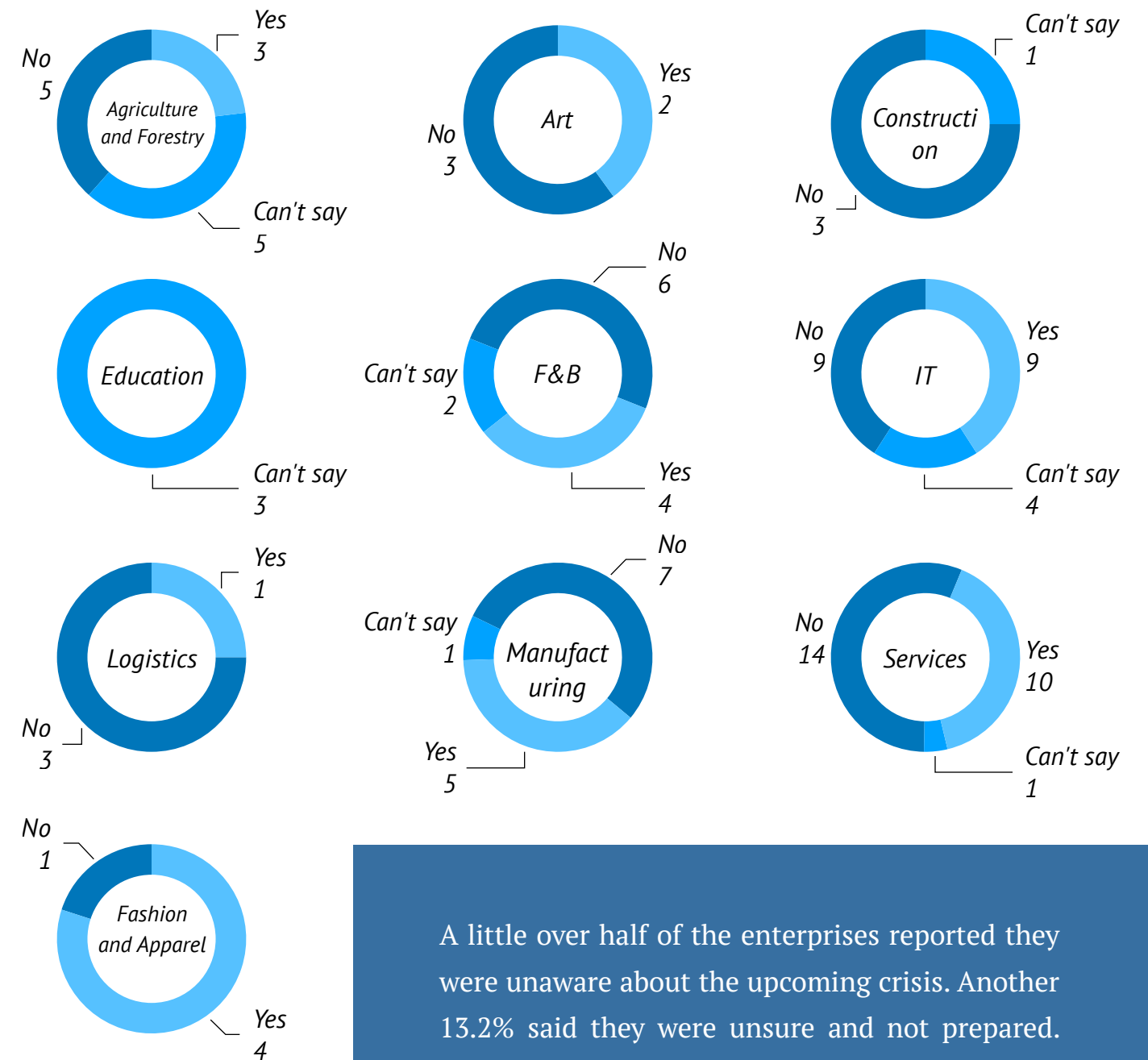
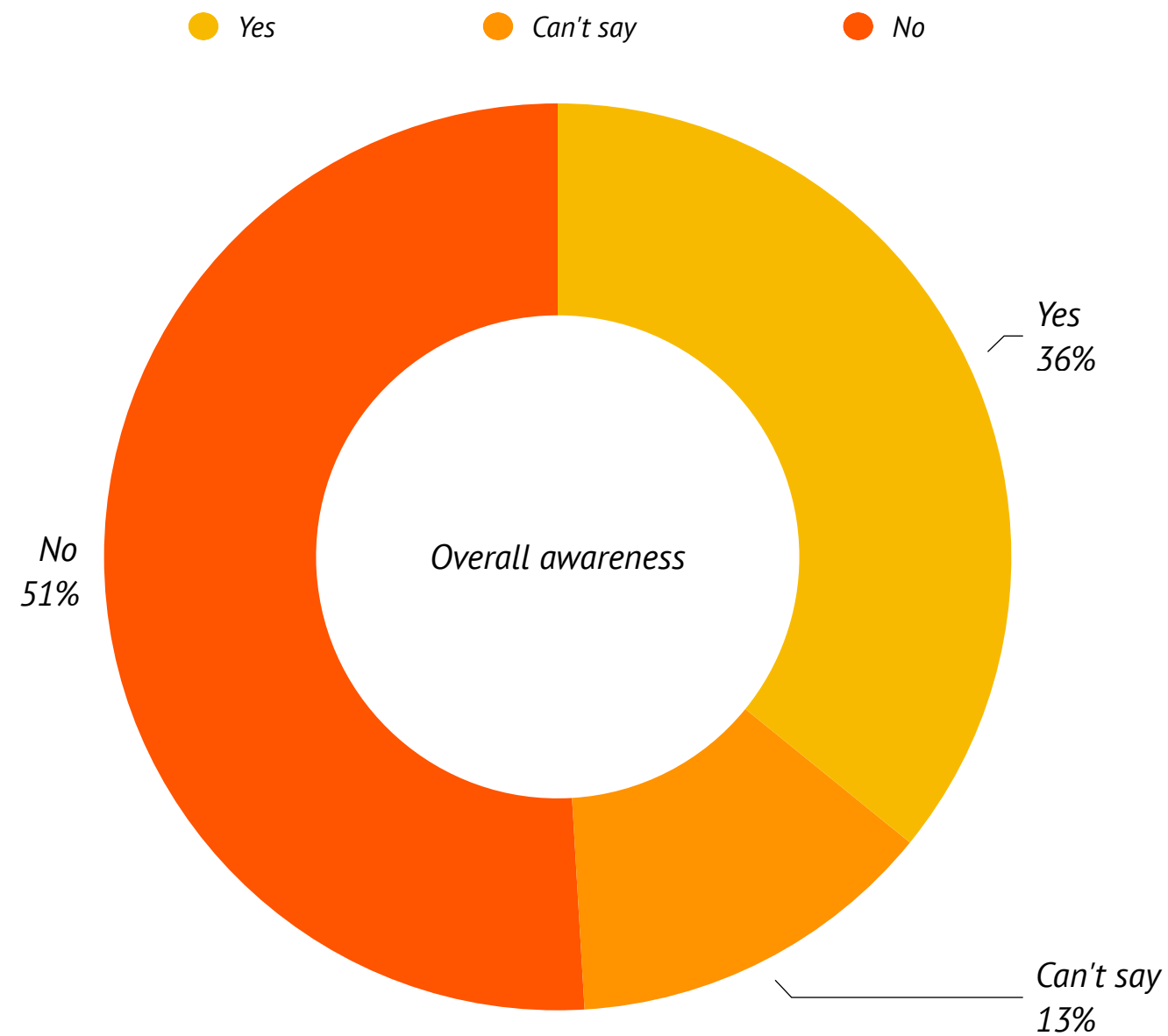
Slightly above 50% of the enterprises reported that their asset valuation was in the range of 5-50 lakhs.

18% enterprises reported their assets to be more than 50 lakhs but less than 5 Crore. The highest representation in this asset group was from the Food and Beverage sector with 5 enterprises.

There were three enterprises, each from IT, Education and Services who reported their asset to be valued above 5 Crore.



## 7. Awareness of COVID-19 Crisis Before the Lockdown



A little over half of the enterprises reported they were unaware about the upcoming crisis. Another 13.2% said they were unsure and not prepared. Only 35.9% reported that they were aware of the upcoming crisis. Except for Fashion and Apparels, most of the enterprises in other sectors expressed their lack of awareness of upcoming crisis.

**Among those who said YES, their responses were analyzed based on the actions taken and presented in the following way:**

**Communicate their status**

“We spoke with our suppliers and others in the production chain. We also informed any customers that had already started work with us.”

“Effective use of CRM (Bitrix 24) and discord as the communication channel”

“Halted on-site operation, communicated with clients and employees regarding the stoppage of services for the time being”

**Tried to manage their inventory**

“It (crisis) was something we predicted and were prepared to face by keeping stock of feeder for our fish”

“In early March I collected the payment dues from the market here as far as we could.”

“immediately stopped taking additional works and stopped purchase of raw materials”

“...didn't bring clothing shipment cause the custom was about to close”

“extended our delivery time and started taking up orders without any payment. Took orders only on basis of words “okay please confirm”

“we are exploring local sources for the supply of the feed... and are looking for local markets”

**Manage human resource**

“released part time employee from the proceeding works”

“By enabling favorable remote working, developing support and training process (to work online)”

“ration for staffs”

**Work from home focusing on digital work**

“we decided to update our app in between this lock down to ensure all glitches”

“we are shifting our operation through online”

“we started an online blog”

“operating online for contacting customers and organizing online events for engagement and marketing activities”

“we have internal documentation about how we move ahead in case of crisis, all the team members started working from home with proper equipment. So, we were prepared”

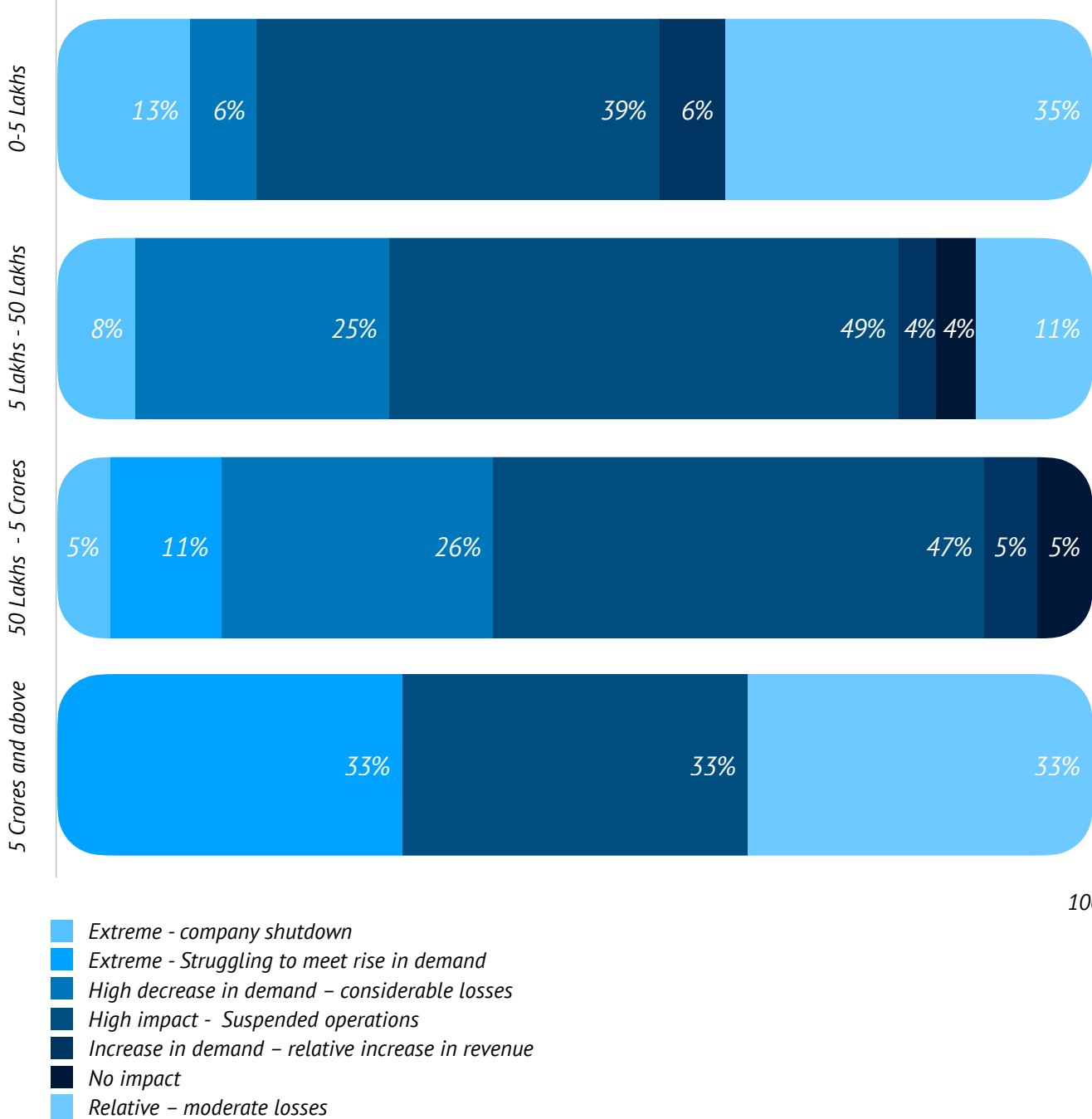
“... government mandates later are going to hugely impact us. So currently focusing on branding ourselves better.”

## 8. Impact against total asset valuation of enterprises

The figure exhibits the composition of direct impact of COVID-19 on the respondent enterprises in terms of their reported asset value. The asset valuation of the respondent enterprises is categorized into four brackets. 45.28% of the respondents reported high impact which, for the purpose of this survey, was defined as suspending operations due to the pandemic and the resultant slowdown in economic activity. The percentage of the surveyed enterprises that reported high impact is the highest across all four asset-valuation brackets which suggests that most enterprises across all asset-valuation brackets were forced to suspend their operations. Among the four, 49.06% of the enterprises in the 5 lakhs to 50 lakhs bracket reported that they suspended their operations.

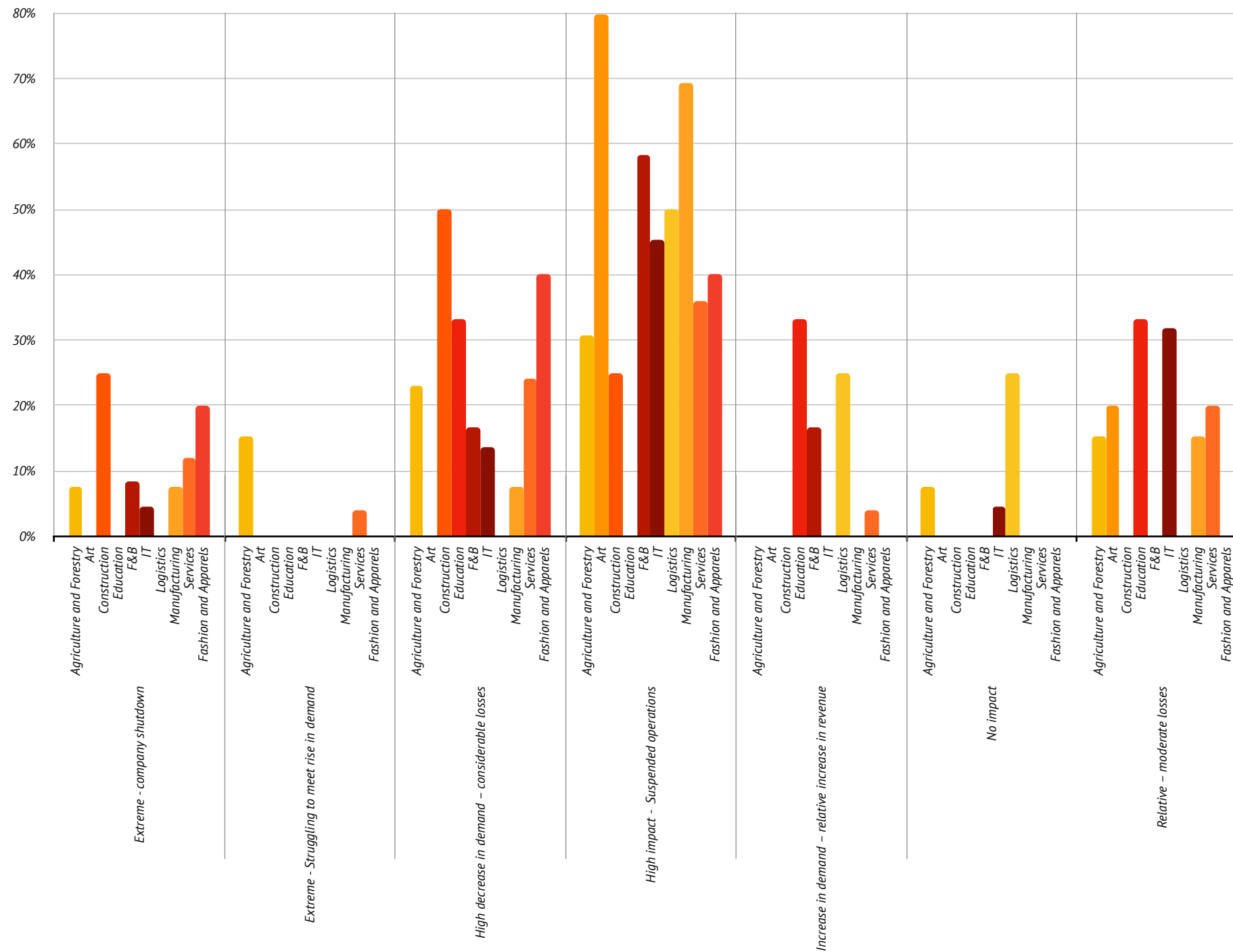
Similarly, while 18.87% of the respondents reported high decrease in demand which led to considerable losses, 16.98% of them reported that they incurred moderate losses.

At the extreme ends, while 8.49% of the respondents reported that they had to shut down the enterprise - of which 7.55% fall in the 5 lakhs to 50 lakhs asset bracket - a meagre 2.83% of them reported a favorable impact of the pandemic so much so that they are struggling to meet the rise in demand. Among the enterprises that reported that they are struggling to meet the rise in demand, the majority (33.33 %) fall in the 5 crores and above category.



100%

## 9. Direct impact of COVID-19 by sector



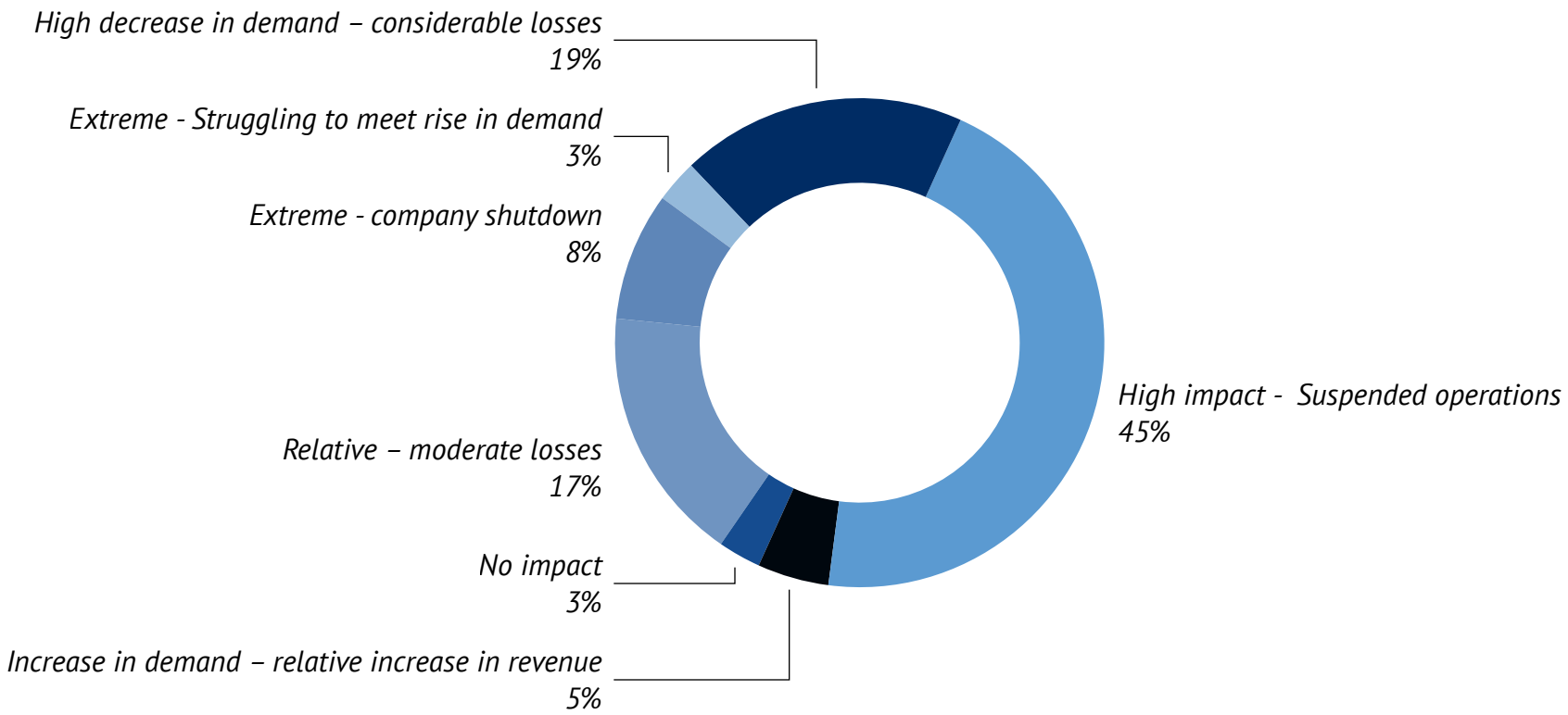
The figure shows the sectoral composition of the direct impact of the COVID-19 crisis on the respondent enterprises. On one hand, among the respondent enterprises that witnessed extreme impact leading to shut down, enterprises in the Construction and Fashion and Apparel sectors were hit the hardest. On the other hand, enterprises of the Agriculture and Forestry sector witnessed a favorable impact of the pandemic with 15.38% of them reporting that they were struggling to meet the surge in demand.

Similarly, the majority of the enterprises in the Art and Manufacturing sectors - 80% of the former and 69.23% of the latter - reported that the crisis forced them to suspend their operations. However, one has to take into consideration the fact that the Art sector accounts for only 4.7% of the total respondents in the study.

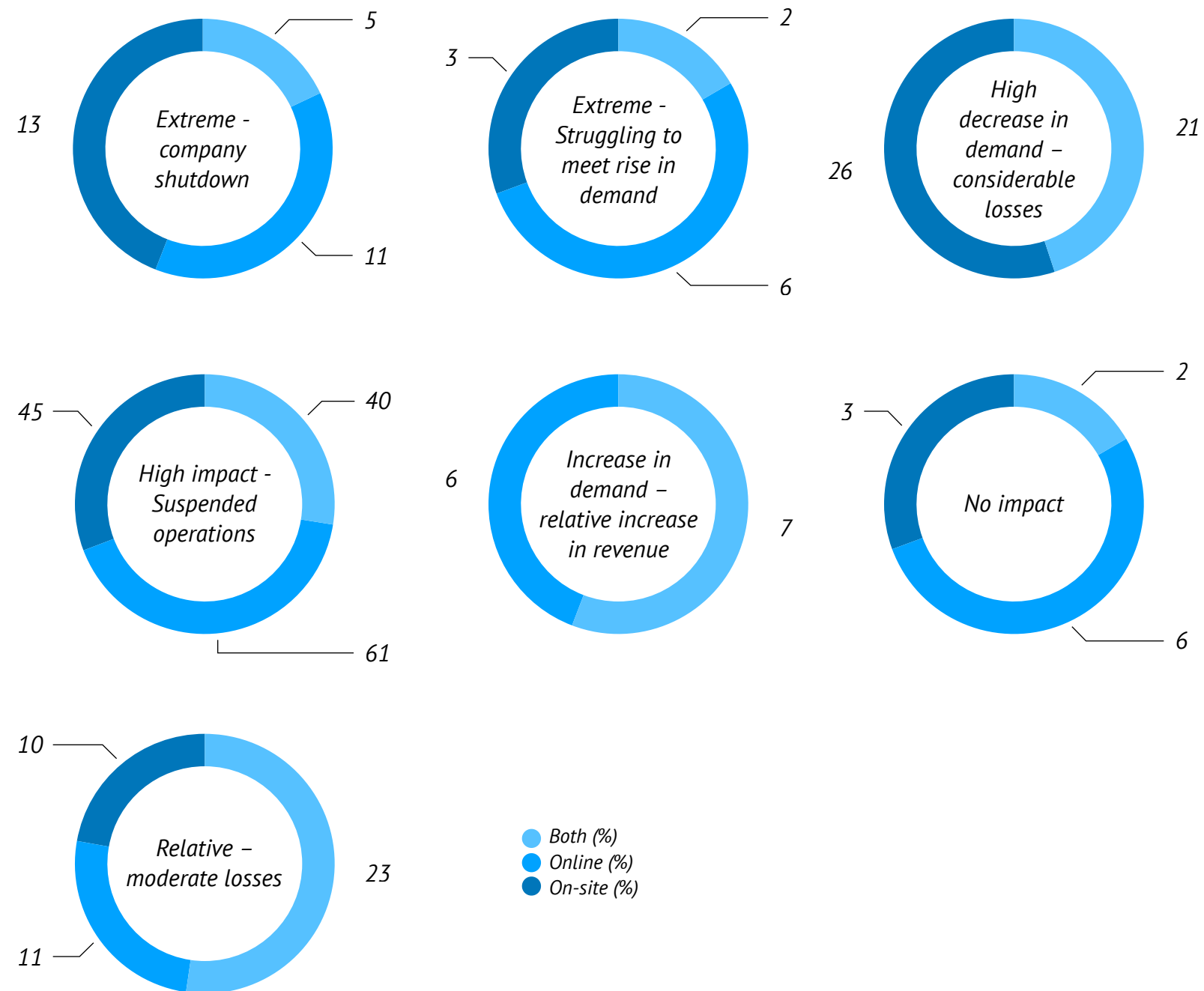
Very few enterprises, a mere 2.83%, reported that the crisis had no impact. However, 7.5% of the respondents reported favorable impact of the crisis due to increase in demand, and therefore revenue, during the crisis.

# 10. Direct Impact of COVID-19 by Mode of Operation

An overarching problem for the entrepreneurial ecosystem and economy in general, is the significant drop in demand leading to various challenges that can impact the enterprises. The COVID-19 crisis is no exception. 45.3% of the enterprises have seen a high impact and suspended their operations since the beginning of the crisis, while 18.9% have witnessed high decrease in demands resulting in considerable losses and 2.8% are extremely struggling to meet the rise in demand. The hurt and the growth are not evenly distributed. Amidst the uncertainty, 8.5% of the enterprises have completely shut down and 17% of the enterprises are facing moderate losses. At the same time, a small minority of enterprises 4.7% are actually experiencing growth and 2.8% are not affected at all.



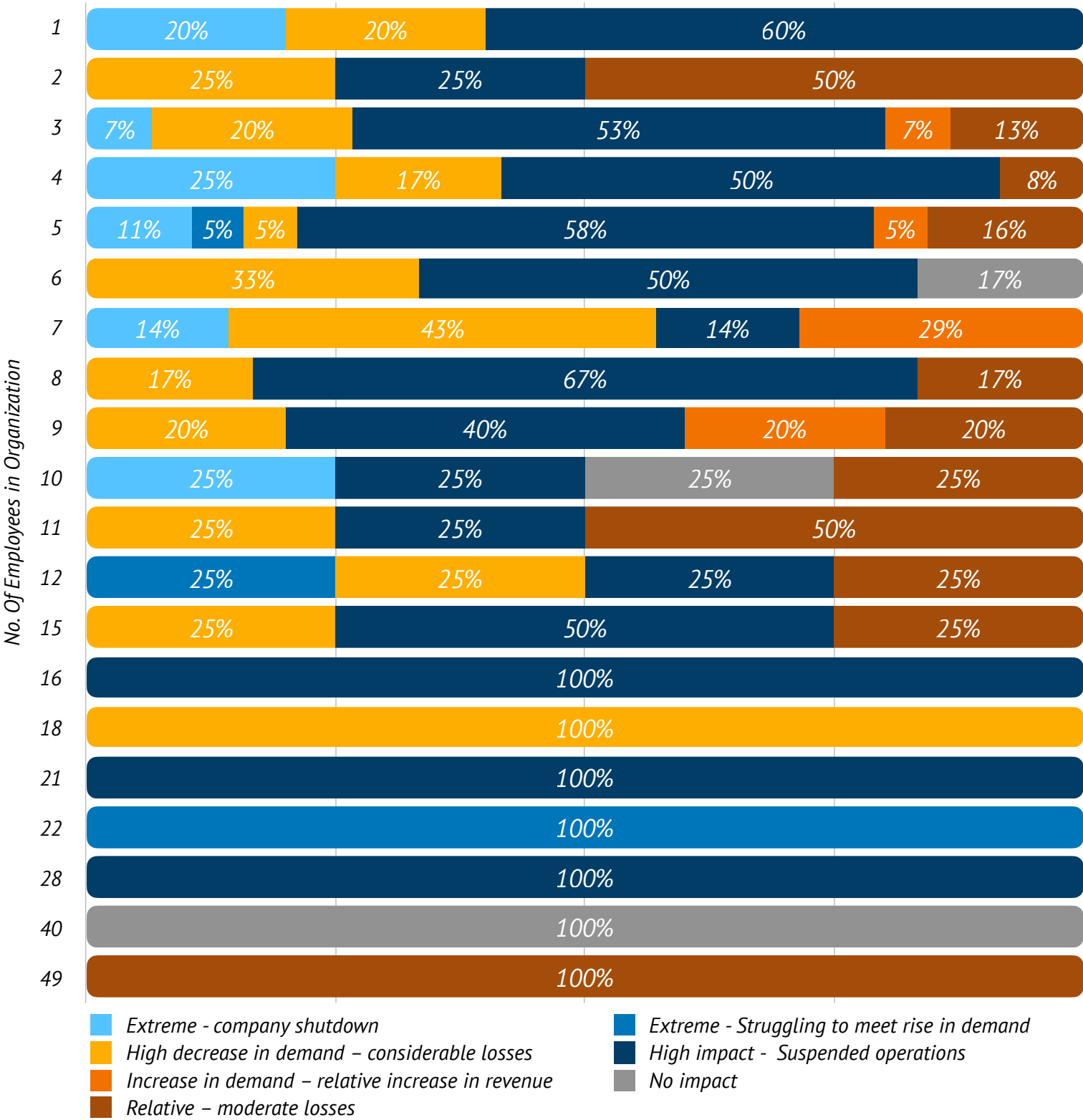




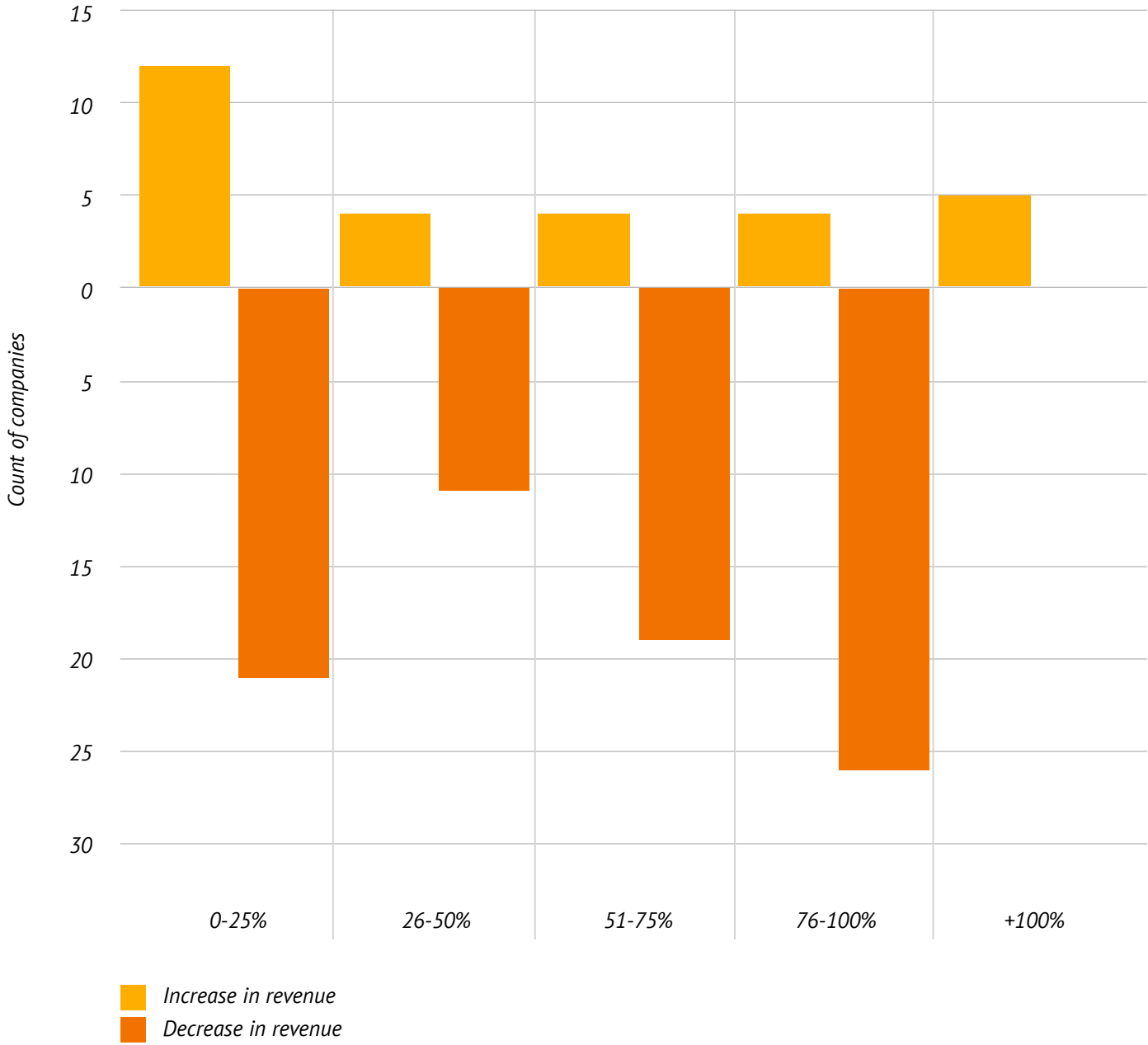
These donut charts illustrate the direct impact of COVID-19 crisis on the enterprises based on their mode of operation-online, onsite and both. From the chart, 61.11% of the enterprises operating online and 45.16% operating onsite are facing high impact and have suspended the operation. 5.26% enterprises operating on both, 11.11 % operating online and 12.9% operating only onsite are facing adverse brunt and have shut down. Interestingly, the enterprises operating only online have faced no losses whereas 25.81% of the enterprises operating onsite have witnessed high decrease in demand with considerable losses. Amidst the crisis, some enterprises (7.02%) working on dual mode and (5.56%) online have experienced rise in demand with relative increase in their revenue. Contrary to this, 22.81% enterprises operating both online and onsite, 11.11% working online and 9.68% onsite only have faced relative impacts with moderate losses. Overall, 1.75% enterprises with dual mode, 5.56% working online and 3.23% onsite reported no impact by the COVID-19 outbreak.

# 11. Direct Impact of COVID-19 against Number of Employees

The country-wide shut down has taken its toll with a range of direct impacts to enterprises. The 10% of enterprises with five employees are completely shut down, which is even higher for enterprises of four employees, 25% of such enterprises are shut. Majority of enterprises, with five or less employees are witnessing high impact, i.e. suspended operation. The case of enterprises with a range of employees between 5 to 10, are suspending their operations and going through the considerable losses of high decrease in demand. Noteworthy to mention, 25% of enterprises with 10 employees are completely closed due to this crisis. 45% of enterprises, regardless of number of employees, have incurred a high impact into their operations, while 8% of enterprises are completely shut, and 16% of enterprises have witnessed only moderate losses.



## 12. Change in Revenue during COVID-19 crisis by Sector

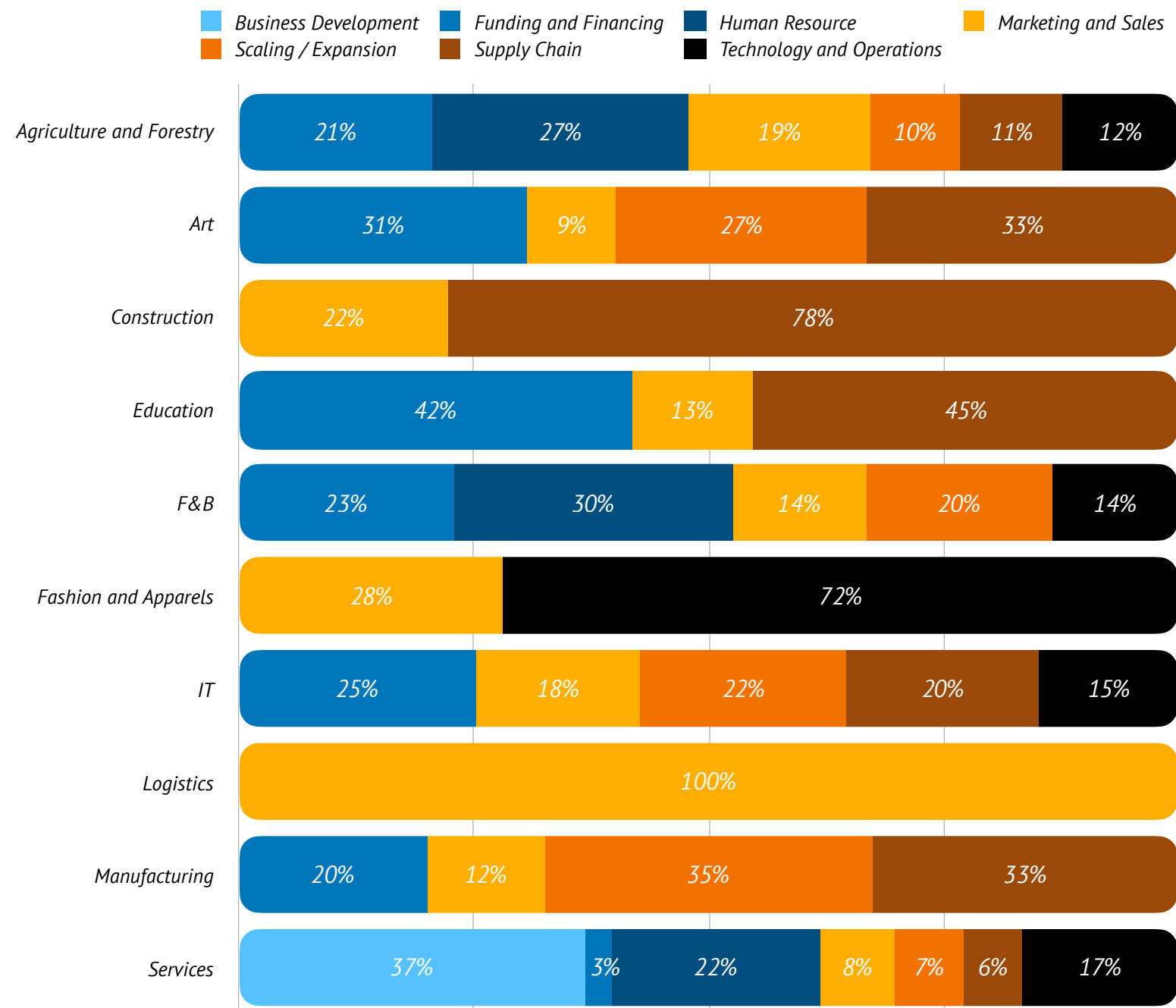


While almost 73% of enterprises have seen a recent decrease in revenue, the remaining have seen an increase.

Five big winners, those who saw over a hundred percent increase, were one each from education, food & beverages and IT, and 2 from the Services sector. The biggest losers, those who saw more than 75% reduction in revenue, comprised almost 25% of the enterprises.

While all other sectors had one or two enterprises reporting increase in revenue, no enterprise within the construction sector reported any increase in revenue.

### 13. Impact in Business Functions against Sector



Various business functions of these many sectors were disrupted by the crisis. In the Agriculture and Forestry sector, most of the enterprises faced the decrease in revenue by 50 to 100% of the Marketing and Sales function. Similarly, in the case of Art, enterprise faced the major challenge in Funding and Financing and Scaling/Expansion which brought about the decrease in revenue up to 25%. In the construction sector, challenges were mainly in Marketing and Sales along with Supply Chain incurring the decrease in revenue up to 50%.

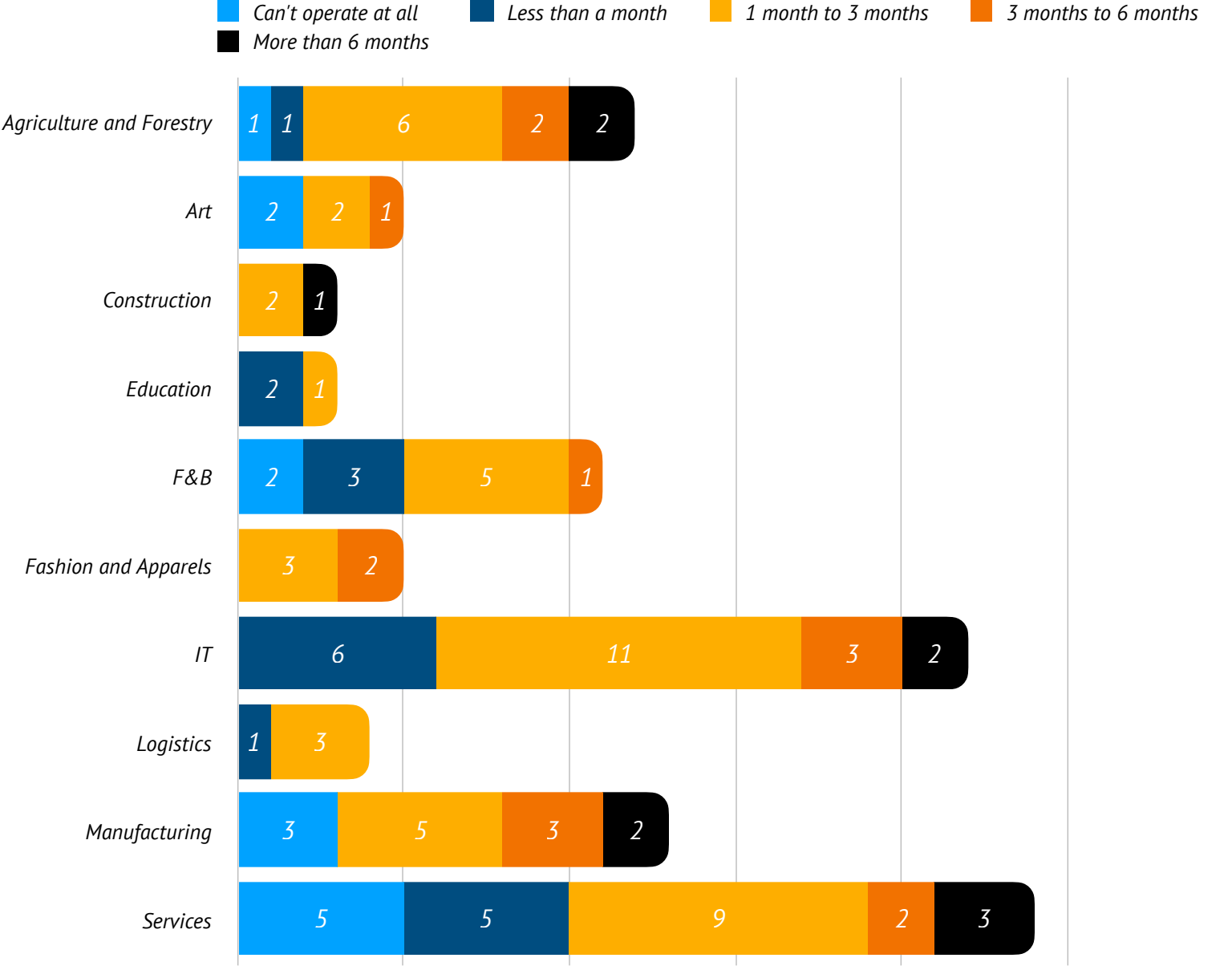
For the education sector, Funding & Financing, Marketing & Sales along with Supply Chain have been the major challenges. For the enterprises in the environment supplies, Funding and Financing has been the only challenge but incurring the revenue loss up to 100%. In the F&B sector, 40% of the respondents have mentioned that Marketing and Sales is the major challenge followed by Scaling/Expansion and Funding and Financing. Marketing and Sales has been the major challenge incurring the revenue loss by more than 25% up to 100% in one of the cases among Fashion and Apparels entrepreneurs.

Technology and Operations has been another pivotal challenge for Fashion and Apparels. Human Resource is the only reported challenge in the Investment and real Estate sector which apparently have increased the revenue by almost 50%. In the information technology sector, marketing and sales is primarily affected by business function followed by scaling/ expansion and funding and financing. 16 of the respondents of the sector reported the decrease in revenue ranging from 25% to 75% while 6 of the respondents have also reported the increase in the revenue.

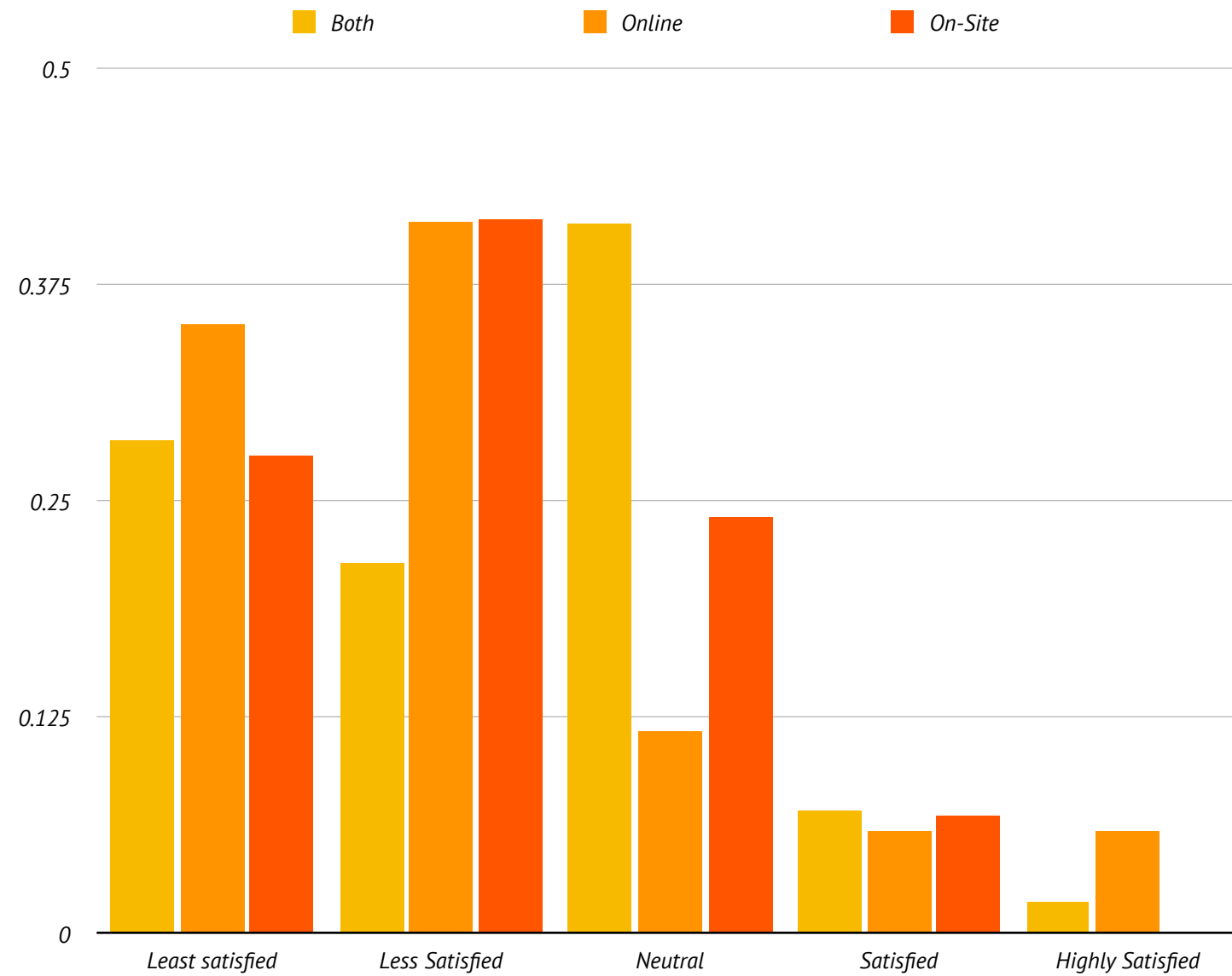
Marketing and sales have been the only challenging factor in the Logistics sector causing both increase and decrease in revenue. For the services sector also, marketing and sales seems to be the biggest challenge mainly decreasing the revenue ranging from 25% to 100% while some of the respondents also reported the increase in revenue.

# 14. Resource Sufficiency by Sector

12.5% of enterprises reported as “Can’t Operate all”, followed by 17% can hold the current crisis only up to a month. The significant number is with enterprises able to operate for 1 to 3 months, and accounts for 46% of the total number. Most of the IT enterprises are doing fine in terms of resources to operate, more than 50% of IT enterprises can last for at least three months, and more than 22% can operate more than three months in this crisis. One of the hardest hits is the Service sector, where around 80% of enterprises cannot last more than three months, out of which 26% is already shut down, and another 26% is struggling to survive for a month.

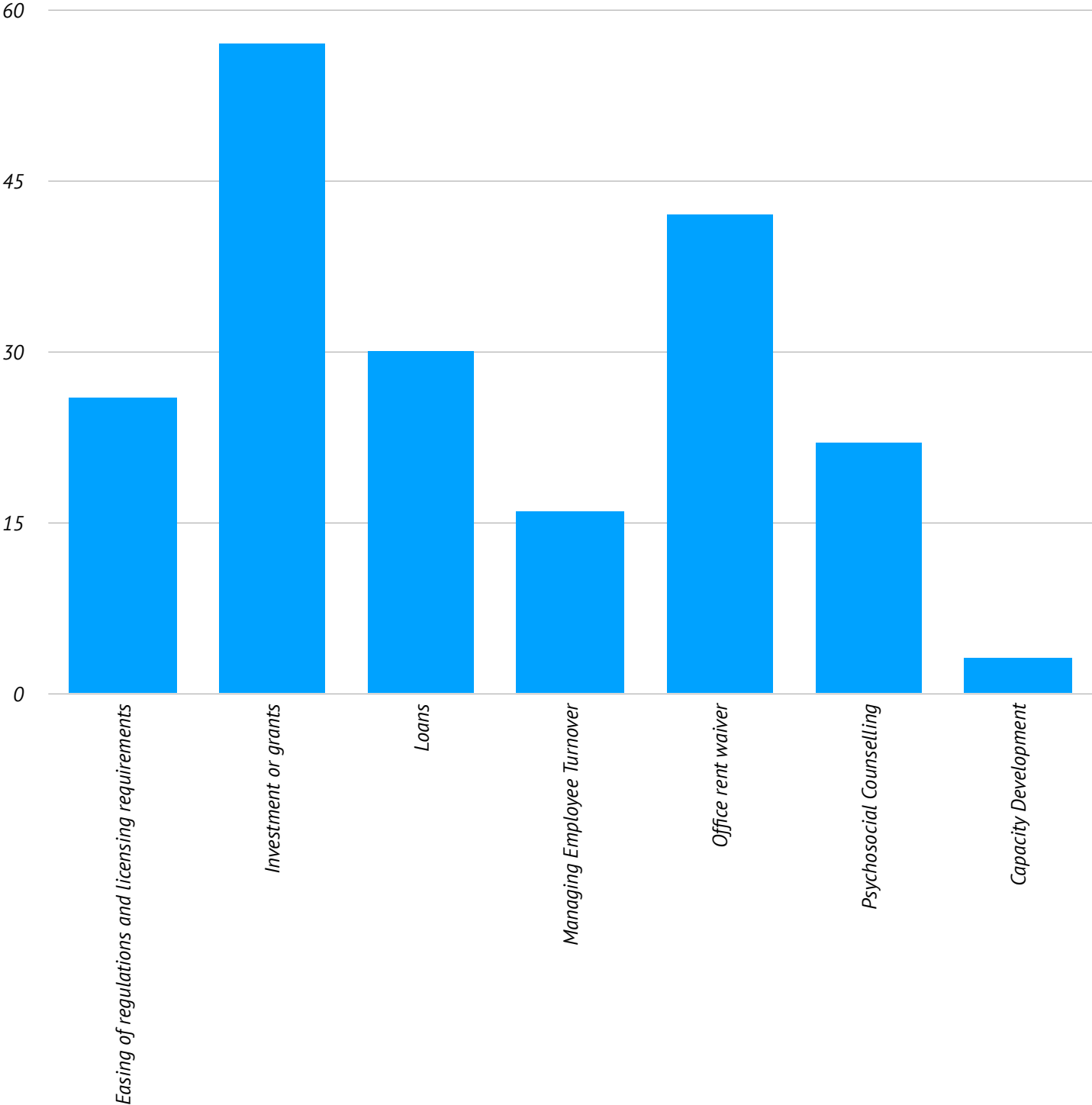


## 15. Satisfaction on Current Way of Working by Mode of Operation



In the face of Covid-19 crisis enterprises are facing multiple challenges. Despite the hardships, enterprises are operating, however, their working modality has changed due to lockdowns. Upon being asked about their satisfaction based on their current way of working, 29% of the entrepreneurs operating both online and onsite are least satisfied, 30% seems slightly satisfied, 32% are neutral while 7% are satisfied and only 2% shared a high level of satisfaction even if there is a significant disruption.

# 16. Frequency of Expected Nature of Support



With options to add into existing multiple choices for these questions, the majority of enterprise representatives chose the opportunity of “investments and grants” as the top most support for them to survive. That accounts for almost 30% of total responses. To follow this up, around 15% of responses are for “Loans”. The second most sought after options was “office rent waiver”, which accounted for 21%. Interestingly, there are very few mentions for “Capacity Development” as well.

## 17. Support by business functions

**FINANCE**

**OPERATIONS**

**COUNSELING**

**MARKETING**

**SUPPLY CHAIN MANAGEMENT**

**SALES**

**EXPANSION**

**HUMAN RESOURCES**

**BUSINESS DEVELOPMENT**

**NETWORKING**

**INVENTORY**

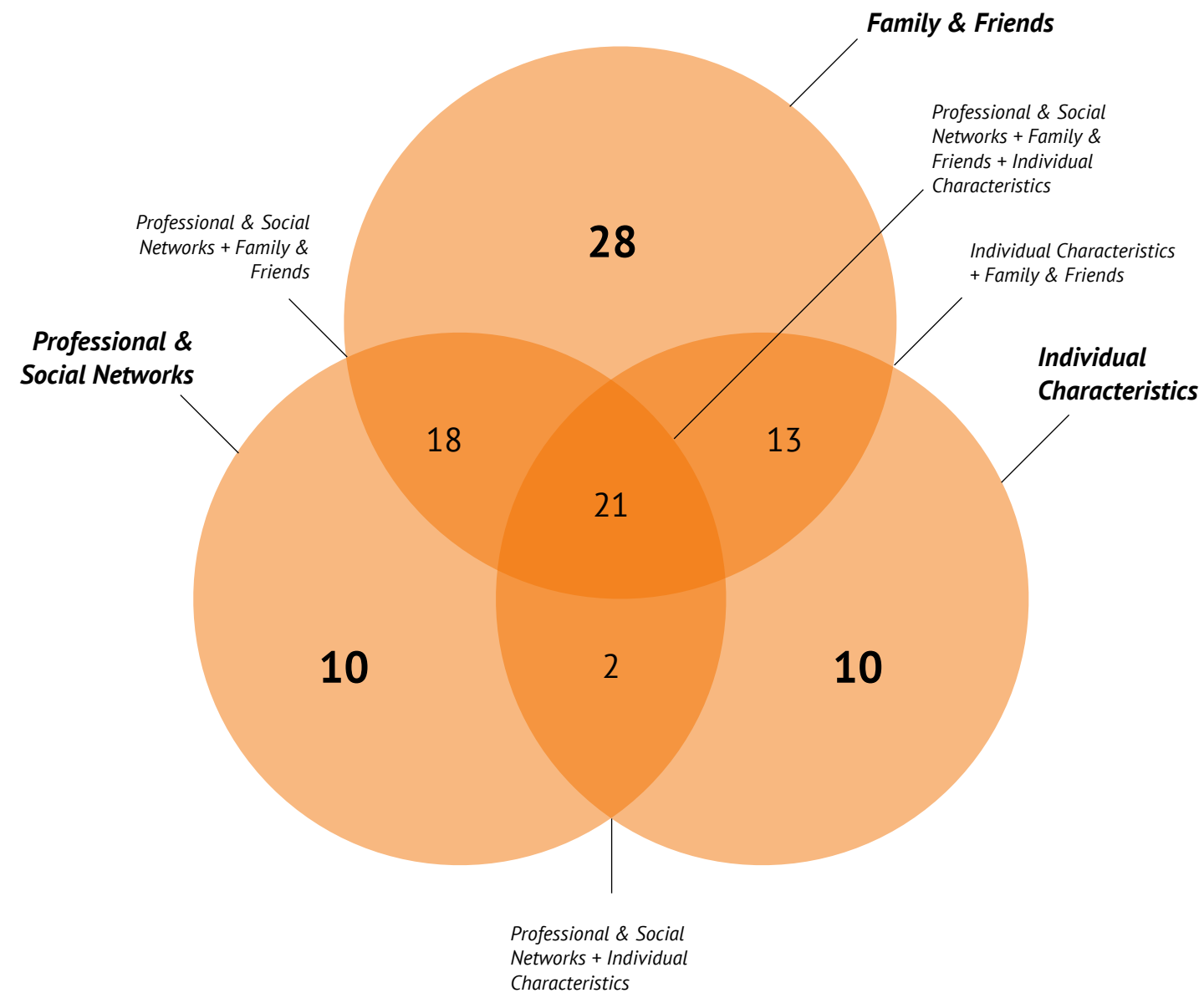
**CAPACITY DEVELOPMENT**

**CUSTOMER RELATIONS**

This Word Cloud is based on the responses regarding the areas in which respondents would need help in dealing with the current crisis. The font size of the terms represent their relative frequency in the responses. Most respondents expressed concerns regarding the financial health of their enterprises and said that they would need financial assistance. Similarly, other major areas were marketing, sales, operations, human resources and supply chain management.

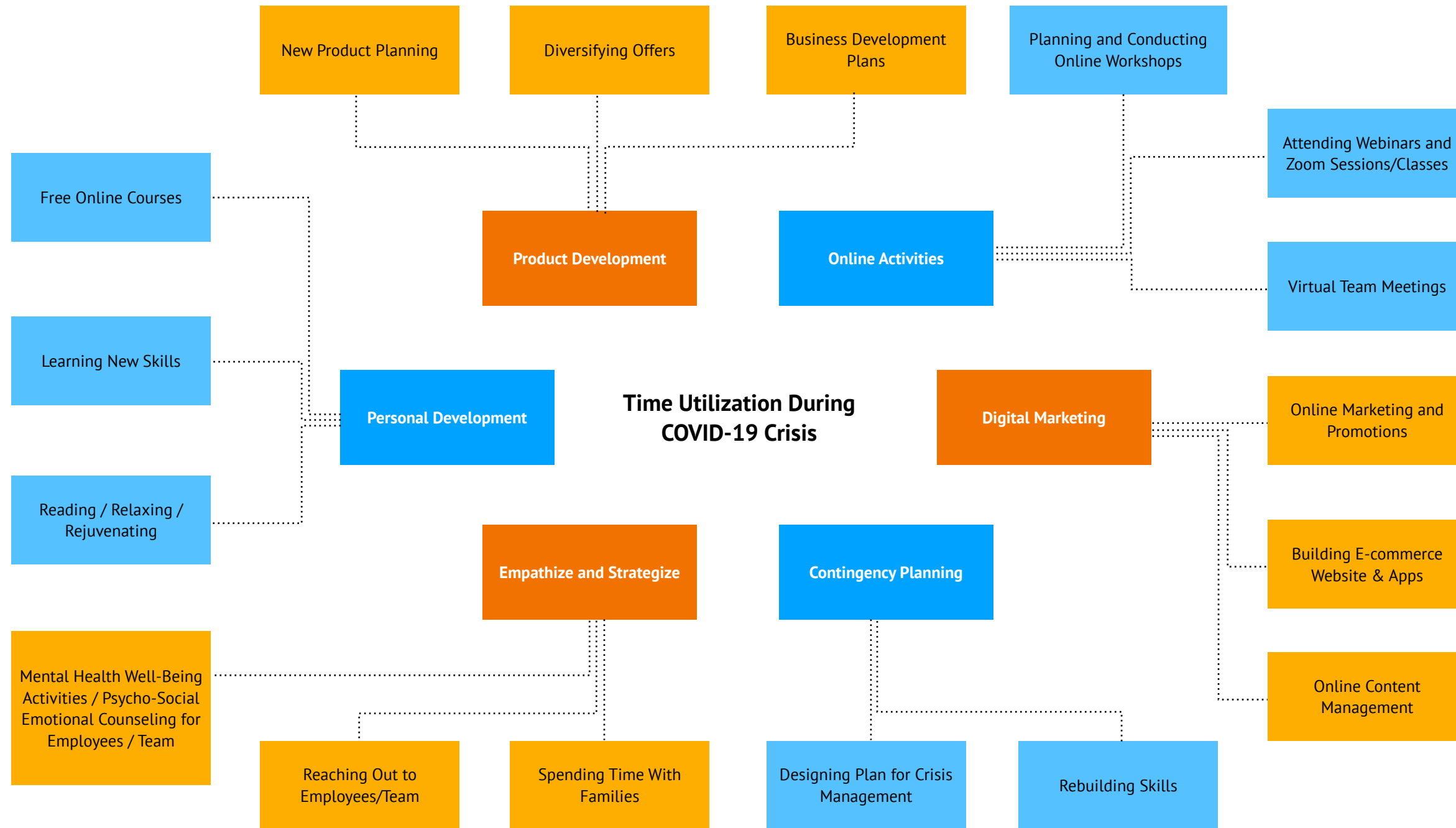


## 18. Source of resistance



The Venn diagram represents the coping mechanism of the respondents. This was a multiple-choice question where the respondents could select one or more options. It is evident that the majority of entrepreneurs (80) regard support from family and friends as the best coping mechanism during this crisis. Since they are staying home during lockdown, family and friends are easily reachable. 51 respondents have considered individual characteristics to cope with the situation. Likewise, 46 respondents deem it fit to either seek professional help or use social networking platforms for gaining relief from the anxiety associated with COVID-19.

# 19. Time Utilization During COVID-19 Crisis



COVID-19 is taking a toll all around the globe, with the new normal, enterprises are forced to adapt continuously. This cluster chart illustrates how entrepreneurs are navigating the effects of the pandemic and utilizing their time during this crisis. Based on the findings, entrepreneurs are now focusing on six core areas namely- product development; online activities; digital marketing; contingency planning; empathize and strategize and personal development.

The COVID-19 outbreak crisis has forced entrepreneurs to re-think on their business plans and operations. Many entrepreneurs have closed their physical stores and have switched to different modes of working. They are capitalizing the lockdown period in research and development of new products, identifying viable business opportunities to diversify their offers and reevaluating their business development plans to upscale post pandemic.

With the rapid transition, online activities have gained momentum worldwide and Nepal is not an exception to this. The practice of self-isolation has compelled people to work from home illuminating the value of thriving online. In a short span of time, many entrepreneurs have shifted to the online platform and are spending time attending webinars, workshops and online classes. Few of them are planning and conducting workshops/podcasts while most of them are busy in online training and zoom meetings with their employees and team members.

Some of the entrepreneurs shared, they have been able to retain their clientele online and are now focusing heavily on digital marketing services. They have invested their time in building digital skill sets and have accelerated online marketing and promotions activities. They are also building new e-commerce websites and apps to make their operation run smoothly.

Owing to the uncertainty that prevails, entrepreneurs are found driven to contingency planning. Most entrepreneurs are now rebuilding their skills and designing robust plans for crisis management to avoid the mishaps. They also mentioned forming teams and policies that could help them sustain in such scenarios in the future.

In the wake of COVID-19, entrepreneurs have reflected on empathy and the importance of connecting with people. They have shed light on empathizing and strategizing, as a powerful means to be resilient. They shared about spending quality time bonding with loved ones, reaching out to employees via video chat, zoom sessions. Some of them are in the process of putting innovative ideas into motion by conducting mental health wellbeing activities and psycho-social-emotional counselling to their employees and team members.

While getting used to the wave of social distancing, many entrepreneurs have engaged themselves in personal development activities to sharpen their skills. Furthermore, they are grateful to the life they have and are spending time wisely in self-care regimen. They are taking free online classes, learning new skills like baking, creative writing, painting etc. and have been nurturing themselves- reading novels, relaxing, exercising, meditating and rejuvenating to bounce back better post crisis.

## CONCLUSIONS AND WAY FORWARD

From this report it is evident that many enterprises desire financial support during this time of crisis. Those in the service sector are the hardest hit. Information Technology is faring better than other sectors. Few enterprises have completely closed their operations. Most enterprises cannot operate beyond three months of stalemate.

Companies have reported that their mode of work has changed from it being only offline to being both online and offline. With operation coming to a standstill, many jobs are threatened. To salvage any work that can be executed from home, there is a huge interest in digital means.

While enterprises are not very open about reporting their financial health, those that reported an increase in revenue could be further explored to understand their response, is it their nature of operation that allowed them to remain unaffected or is it something else. The roles played by Family and Friends as a source of resilience can be further explored. The study only describes the immediate impact of the crisis. It is imperative to conduct further research to understand the long term impacts on the entire ecosystem and explore other prominent themes based on the outcomes of this study.