



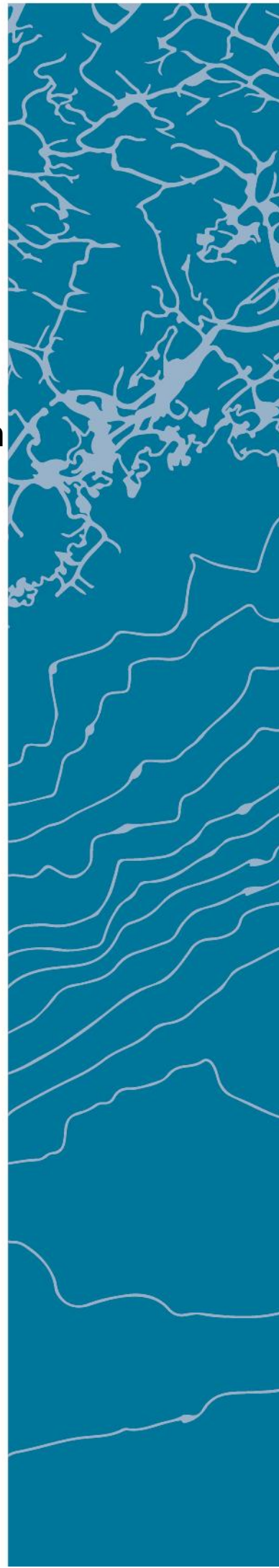
UNIVERSITETET I AGDER

# **Impacts of Covid-19 in Small-Scale Businesses of Butwal Sub-Metropolitan City, Butwal, Nepal**

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## DECLARATION

This study is my original work, and I have not presented this study to any other institution. Therefore, no part of this research should be reproduced without the author's consent or the University of Agder, Norway.

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Date 02/12/2021

## DEDICATION

I would like to dedicate this study work to my mother, Prem Kumari Ghimire Sharma, for her love and unconditional support.

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**Rajendra Ghimire**

## ABSTRACT

The Covid-19 situation throughout the world is a great challenge for humans. The consequences of the Covid-19 directly impact people's lives. The Covid-19 directly impacts the small-scale business of the Butwal Sub-Metropolitan city. Small scale-business holders are facing challenges in everyday activities related to their business. They are facing challenges to operate their business, resulting in the risk in the future and sustainability of the business. Lockdown, semi-lockdown, and fear of the customers are the significant factors hindering small-scale business operations. Small-scale and informal businesses with little budget and capacities face vulnerabilities because of disbalance in the supply chain, a rise in the price, and changes in customers' shopping habits. Although small-scale businesses are taken as the primary contributors to the national economy of Nepal, it is believed that the vulnerabilities of the small-scale business holders will directly impact the national economy of Nepal. On the other hand, the impact of the Covid-19 is giving opportunities to establish their business with new and modern mode through different strategies such as digital/online marketing, social media publicity, and building up the trust to the customers through media and communications.

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## List of Abbreviations

ADB	Asian Development Bank
COVID-19	Corona Virus Disease 2019
GDP	Gross Domestic Product
GOs	Governmental Organizations
ID	Identification
IGOs	International Governmental Organizations
INGOs	International Non-Governmental Organizations
MoF	Ministry of Finance
NGOs	Non-Governmental Organizations
OCHA	UN Office for the Coordination of Humanitarian Affairs
NRB	Nepal Rastra Bank
NSD	Norwegian Centre for Research Data
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises

# CHAPTER ONE: INTRODUCTION

## 1.1 Background

The world has been suffering from the Covid-19 pandemic since December 2019. Effects and consequences of the Covid-19 pandemic are unavoidable. This pandemic has affected every aspect of society and every individual's everyday life. Most countries stayed in lockdown and semi lockdown states for more than one year, where people were not allowed to go outside, do their jobs, and run their businesses. In recent times societal activities are focused on social distance measures rather than complete closures. The initial stages of the pandemic outbreak are very uncertain to predict, and the data's availability is too low (Petropoulos & Makridakis, 2020). People's everyday lives are directly connected to the jobs, the business they do. The economic base of the individual and family is based on the jobs and businesses of the individual and family. Small business and informal business owners are in very critical stages because of the Covid-19 pandemic, and their families based on their business for their daily lives are also directly affected. As all the sectors are affected by the corona situation, small-scale businesses worldwide are also highly affected.

The Covid-19 situation created impacts in every aspect of economic activity. Economic impacts of the Covid-19 are both at the macro and micro level, where Nepal has expected economic 8.5 percent economic growth in 2020. However, the economic growth is only 2.27 percent because of the adverse effects of the Covid-19 on the economy (Raut, 2020). The impacts of Covid-19 at the micro and macro level are the major determinants of challenges to the whole economy of Nepal. On micro-level impacts, significant impacts of the Covid-19 are food security, health, education, and employment, and on the firm level, immediate impacts are on income, profit, cost, and productivity (Raut, 2020). These immediate impacts at the macro and micro levels create challenges to maintain the international targets of development activities. In addition, these impacts seem to affect the targets of Sustainable Development Goals (SDGs), which is also taken as a significant challenge to overcome (Raut, 2020).

The Covid-19 situation and its threats to the global context, particularly South Asia, are creating a significant threat. This region of the world covers the higher number in population in ratio. As the highly populated countries India, Bangladesh, and Nepal are suffering directly, these countries' economy is also suffering badly. The Covid-19 pandemic is creating

a significant impact on society's health, socio-economic, and socio-cultural parts. The Covid-19 consequences and lockdown severely disturbed the supply chain and imbalanced the availability of essential goods and services, which created a challenge for people of common livelihoods with far-reaching socio-economic implications (Raut, 2020).

In particular, to the financial impacts, this pandemic has impacted both micro and macro levels (Raut, 2020). Nepal imposed a nationwide lockdown on March 2020, and still going on in partial form. As a result of lockdown, it had a widespread impact on people's ability to go out to work (World Vision Nepal, 2020). The impact and effects of the Covid-19 pandemic are very uncertain and still hard to measure and unpredictable. While looking at the micro-levels, Covid-19 has significantly impacted food security, health, education, and employment, where business-level impact is on income, profit, cost and productivity, and services (Raut, 2020).

Most of the shutdown of the business may get permanent because of the inability of the business owners to pay (Fairlie, 2020). The impact of Covid-19 on small businesses is growing much, and it is likely to be severe in all the small-scale businesses around the world (Fairlie, 2020; Raut, 2020). The government's lack of address on the small-scale business attracted the researcher to study the impact of COVID-19 in the small-scale business of Butwal, Nepal. Notably, informal business activities in developing countries contribute a lot to the state's GDP as they are not recognized by the government but regulate economic activities. E.g., in Zimbabwe estimated 61% of the country's GDP was contributed by informal economic activities from 1991 to 2015 (Price, 2020). This study will focus on small-scale businesses, including directly or indirectly informal and not registered businesses.

Pandemics create a disbalance in the chain of different activities and lead to an irregular and unusual chain of everyday activities from individuals to the state level. Most manufacturing or other economic activities have been dependent on long and complex supply chains in recent times. These chains are disturbed by the pandemic and the measures to contain the pandemic (Davies, 2020). The significant factors in the supply chains are the government's restrictions to control the spread of Covid-19, restriction on supplies, workers' issues, and decreasing demands. These issues impacted the business holders and individuals for their regular activity. This pandemic impacted those business groups who were already vulnerable and were not prepared with proper strategies for this kind of crisis. Pandemics do not bring

down the business and activities which are in suitable shapes. However, they create challenges to the business, which are already vulnerable and poor (Davies, 2020).

This study mainly highlights the direct and indirect impact of the Covid-19 in the small-scale business of Butwal Sub-Metropolitan, Nepal. Understanding and identifying the impacts in small-scale business will lead to understanding the whole scenario of the small-scale business status of Nepal. Proper understanding of the study's outputs and the impacts help overcome the pandemic and crisis. Mainly, understanding the impacts of small businesses on the local and national stakeholders is also an essential part of the pandemic's assimilation. The immediate outputs of the pandemic are lack of income, support social protection creating the risk of increasing poverty and vulnerability in communities (Raut, 2020). Such outputs of the societies are the issues to be considered and addressed because the small business and informal business activities also contribute to the state's economy. This study will undoubtedly generalize the Covid-19 impact and help the respective authority. Other business owners cope with the situation and develop better resistance mechanisms in the future.

## 1.2 Statement of the Problem

Most of the small business activities in the third world, especially in South Asia and Nepal, are conducted with less foundational and supportive mechanisms. The business activities of the people are focused on daily activities rather than the particular plan to cope with the future circumstances and closure of the business. As the situation and reality of the Covid-19, it made the situation of complete closure and shut down the business. At the same time, businesses without resistance mechanisms are in crisis and facing a direct impact as they cannot operate independently.

Small scale businesses are highly affected as they do not have backup plans and funds, and crisis management mechanisms and are in the stage of bankruptcy. As small-scale businesses cannot deliver goods and services to the market for a long time, such businesses are in various troubles. Such business is closed due to government rules and regulations for the resistance to the coronavirus spread. Small businesses are in trouble for paying salaries to the staff, monthly installments to the bank, interest to the banks, and rent prices to the landlord. Moreover, they are facing import issues, cash flow issues, stock imbalances, and suppliers do not provide goods in time, and they do not provide enough goods to retailers. Small-scale business holders' movement to their business area and locality is minimized, which affects

their chain of a network which promotes their business-related activities. Operation of those businesses are based on regular and daily based business activities and even some days closure affects the business activity. The future of small-scale business seem uncertain, and such businesses are in a helpless and hopeless condition.

The Covid-19 situation during the study is not predictable because all the government, companies, and individuals are regulating with different kinds of restrictions and guidelines affecting the regular chain. Therefore, there are no possibilities to speculate how long the situation lasts, and the closure of the business will be permanent or temporary. However, these closures significantly impact revenues, profits, chains, and business employees (Fairlie, 2020).

In Nepal, 99% of the registered firms and enterprises are micro, small, and medium, where these sectors generate 95% of employment (Dangol et al., 2020). Small scale business holders in Nepal seem optimistic for their business even in the worse situation because of Covid-19. SMEs in Nepal are optimistic, and they expect their operation and sales will increase when the pandemic is over (Ibid). On the other hand, the nature of the small-scale business in Nepal is entrepreneurial, helping them stay in the same business in a difficult time.

### 1.3 Research Questions

In this study, “Impact of Covid-19 in small scale-businesses of Butwal, Sub-Metropolitan, Nepal”, I will answer the following questions.

1. What are the direct impacts of the Covid-19 in the small-scale businesses of Butwal Sub-Metropolitan City?
2. How are small-scale businesses coping with the challenging situation?
3. Why is Covid-19 challenging for small-scale businesses?

### 1.4 Study Objectives

#### 1.4.1 General Objectives

This study was carried out to understand the overall impacts of Covid-19 in the small-scale businesses of Butwal Sub metropolitan city, Butwal, Nepal. This study aims to generalize the impacts of Covid-19 in different dimensions such as financial, social, socio-cultural aspects

of the small-scale business holders. Furthermore, this study will try to understand the research questions and objectives through field study and secondary literature from the local, national, and international contexts.

#### 1.4.2 Specific Objectives of the Study

This study will be focused on meeting the following specific objectives.

1. Find out the impact of COVID-19 in small-scale businesses of Butwal, Sub-Metropolitan, Butwal, Nepal.
2. Sketch out the significant challenges of small-scale business holders created by Covid-19 in Butwal Sub-Metropolitan City, Butwal, Nepal.
3. Sketch out the strategy of the small-scale business holders to cope in the Covid-19 pandemic situation.
4. Find out the alternatives and maintain skills for the business survival adopted by the small-scale business holders.

#### 1.5 Geographic Study Area and Context

The study focuses on a particular geographical area, Butwal Sub-Metropolitan of Rupandehi District Nepal, which has a population of about 130 000 and is the largest city of Lumbini province. This city is near the border to India of Nepal, i.e., Belhaiya. Belhaiya border is among the largest border of Nepal to India, from where a high percentage of goods are imported. Belhaiya border contributes 16.92% of imports and 3.95% of export in the fiscal year of 2019/20 (MoF, Department of Customs, 2020). Hence, this city covers a considerable business activity in western Nepal.

Hundreds of small-scale businesses are running in this city, and, in recent times, they have been directly affected by the Covid-19 pandemic. In this context, small businesses run with small budgets and primarily based on selling services and goods. Small-scale businesses like small grocery stores, fancy stores (clothes retailers), fruits/vegetable stores, restaurants, cafes, stationery stores, educational consultancy, vocational training centers, small construction companies, travel agencies, motorcycle workshops are the focused business groups of the study. In addition, informal businesses such as streets This study will be limited to the Butwal Sub-metropolitan, Nepal.

Figure 1.5.1 Map of Nepal indicating Butwal



Source: UN Office for the Coordination of Humanitarian Affairs (OCHA)

## 1.6 Significance of the Study

This study sketches out the significant impacts of Covid-19 in the small-scale business of Butwal Sub-metropolitan City. This study has analyzed different impacts of the Covid-19 on small scale business from the different data collection methods, primarily semi-structured interviews. In addition, the experiences of the small-scale business holders are analyzed to understand the impacts and challenges of the Covid-19.

The outcomes and analysis of the study are relatable to the different contexts of Nepal. Therefore, small-scale business holders and other stakeholders can use the outcomes and get different ideas to minimize the impacts of Covid-19 or other pandemics in the future. Therefore, this study is vital for the small-scale business holders, stakeholders, government

authorities, business houses to minimize and overcome the challenges created by the Covid-19.

This study has outlined different findings, which can be applied in the local context and national context of Nepal to minimize such challenges from the pandemics or other crises. Moreover, the study's findings can benefit other researchers, stakeholders, government authorities.

### 1.7 Limitation of the Study

The Covid-19 pandemic is the primary topic of the study. The Covid-19 pandemic is a significant challenge for the researcher to conduct this study, which created a challenge for the researcher to conduct fieldwork and data collection. In addition, social restrictions by the government of Norway and Nepal are the challenges to the researcher in terms of time, travel, and other processes of the research activity.

The language of the respondents is another challenge during the study. Most of the study respondents used their native language Nepali in the interview, which demanded more time for the researcher to translate and transcribe in English.

Most of the respondents were taking part in this kind of research for the first time, which created a challenging atmosphere to make them clear about the interview and objectives of the study. Respondents needed more time to be prepared for the interview because of their confidence and other convenience. Due to the Coronavirus, respondents, and researchers needed to be more careful and conscious to resist the transmission, which added extra challenge during the interview process. Similarly, some of the selected respondents did not appear in the scheduled interview, which challenged the researcher to convince them and select other respondents. The data analysis and interpretation process took longer than expected, which created a challenge for the researcher to manage the timetable for this research activity.

### 1.8 Organization of the Study

This research work consists of a total of five chapters. They are Introduction, Literature review, Research Methodologies, Major Findings, and Summary & Conclusion.



**Chapter one** gives a general introduction with a brief description of the problem statement, research questions, research objectives, geographic study area and context, the significance of the study, limitation of the study, and organization of the study.

**Chapter two** deals with the literature review. The literature review chapter includes the analysis of previous literature related to this research topic. These works of literature include books, journals, articles, institutional reports, news articles. The researcher connects the literature to this study to make the study more efficient and fruitful. This chapter also includes a theoretical framework as well.

**Chapter three** deals with the methodological part of this study work. This chapter gives the overall ideas of methodology, data collection and analysis techniques, sampling techniques, and other methodological parts.

**Chapter four** presents the analysis of the collected data, discussion, and presentation of the study's major findings. In this chapter, the researcher presents the overall findings of the study.

**Chapter five** presents the summary and conclusion from the major findings and other parts of the study. Similarly, this chapter provides general recommendations for the readers and stakeholders to mitigate the impacts of the Covid-19 pandemic.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Literature means published and prevailed academic works in the particular field of study. In social science research, literature plays an essential role in understanding the previous findings and gaps to a particular issue. Literature in similar issues helps researchers understand and relate them in their research work. A researcher can examine the various findings through literature review and develop a concept for the particular research work. The literature review is essential for social science research because it connects published and new research work. Such connection in research activity helps a researcher address a gap in previous research work and give a new room for the exclusive findings.

This study has examined different texts from researchers, authors, analysts, academic leaders, scholars, IGOs, NGOs, and government authorities. However, the researcher has tried to include contextual and limited relevant literature from a different context. The researcher examined the local and national context of the small-scale business primarily and made some international comparisons through literature in this chapter. On the other hand, the researcher got limited literature on the topic because it is a new issue to the global context; however, the researcher relates to different literature on pandemics and crises worldwide.

#### **2.1.1 Pandemics and their impacts on small-scale business**

Pandemics always show negative impacts through human health and reach every aspect like social, economic, and cultural human life. Small and Medium Enterprises (SMEs) and their contribution to the national and international economy are well documented (ODOMA and AUDU, 2020). Small and informal business activities worldwide contribute a good ratio to the global economy. As of 2018/2019, 275433 small and medium enterprises (SMEs) were registered in Nepal (Shrestha, 2020). Covid-19 moves from the public pandemic to the economic crisis. It gives the idea that the entrepreneurs, employees, managers, and policymakers understand the major impacts and react to them (ODOMA and AUDU, 2020). Pandemic always starts with health issues but ends with the destruction in every aspect of human life. The Covid-19 pandemic made the world realize that the health crisis is affecting the world and that the economic and business crisis is hitting the world badly. They further note that “especially, for small and medium-sized enterprises, these problems are more

serious than for other enterprises due to the considerable decline in the demand for goods and services” (ODOMA and AUDU, 2020 p.38)

In the Covid-19 pandemic, the government faced different challenges as all the challenges and problems aroused when human health and other economic activities were equally important. The dilemma between public health and economic regulations prevailed at national and global levels, which created a test for leaders and policymakers (Comfort et al., 2020). As discussed by Raut, Covid -19 creates consequences in the household and firm-level where at the household level they will face problems in food security, health education, and labor market. In contrast, at the firm level, the business will suffer from increased cost, less income, and loss of productivity (Raut, 2020). He further discusses that people working in small and informal businesses and tourism and community are primarily impacted, creating a tremendous negative impact on macroeconomic variables (Ibid).

The Covid-19 pandemic has created a scene of uncertainty, and at the same time, it has taught everyone that one should be prepared for any pandemic and stay with resistances mechanisms. After the Covid-19 pandemic, most small scale-businesses are affected negatively, and to minimize these negative impacts, business holders should apply a feasible marketing strategy to sustain the business (ODOMA and AUDU, 2020). ODOMA and AUDU further suggest that small-scale business holders should be ready to lose 50% to 80% of their turnover and other market values (Ibid). Lack of resistance strategy, preparedness, and alternatives to conduct the business are the major problems for the business holders in the current situation. SMEs’ limited ability to counterattack the risk of the Covid-19 and created difficulties of the lack of funds, liquidity, employees, customers, and technology (ODOMA and AUDU, 2020).

Those SMEs, which were doing a tremendous economic activity and were planning to enter in global international market with a broader network, were as well affected due to Covid-19. As Covid-19 created uncertainty in every aspect of the economic dimensions, it created a problem in expanding the business. For example, Airbnb’s short-term rental platform was planning to enter the stock market in 2020, but IPO is postponed for next year because of the Covid-19 pandemic and its consequence (ODOMA and AUDU, 2020). Thus, the Covid-19 pandemic has hindered the running business activities and hindered the plan and future of small-scale business activities.

### 2.1.2 Small-Scale Business Holders' Experiences in Covid-19 Situation

Small-scale business holders have experienced this kind of global pandemic for the first time. Businesses with small budgets and resource capacity face significant challenges created by the Covid-19 situation. According to ODOMA and AUDU, small-scale business holders are affected badly in this crucial situation. They face problems serving their clients, paying employees' salaries, and maintaining a commitment to their suppliers (ODOMA and AUDU, 2020). In addition, small-scale business holders face challenges in their primary business activities as they cannot maintain the chain of their business activity. Significant fundamental challenges are paying to the employees, paying to the landlords, paying interests to the bank, and other primary sides.

On the other hand, small-scale business holders realized the importance of digital marketing and its implication in their business activity. Implementing the digital marketing strategy and shifting from traditional to digital is a new experience for small-scale business holders. According to Narendra, this Covid-19 pandemic led small-scale business holders to embrace digital marketing to survive, where traditional marketing strategies decreased effectiveness and businesses have shifted to digital marketing (Narendra, 2020). It signifies that, due to the Covid-19 crisis, small-scale business holders with traditional ways of marketing and running business are being shifted to the digital model, which assists them in understanding, realizing, and practicing IT (Information Technology) development. These experiences of small-scale business holders lead to understanding the global trend of marketing and enhancing business activity.

ODOMA & AUDU suggested two motivating points to the small-scale business holders, and they are: entrepreneurs are optimistic and resilient, and every crisis has an (ODOMA and AUDU, 2020). In the other literature, it is found that most small-scale business holders are not in the plan of giving up. However, they are committed to working hard and fighting against the situation. Furthermore, ODOMA and AUDU mention that pandemic has given new opportunities for individuals to work with others like never before, which has given way for convergence, collaboration, and co-creation (ODOMA and AUDU, 2020). The Covid-19 pandemic has opened the way for business holders to develop a strategy to conduct business in a hard time. Their traditional way of business activity shifted into new global means of business activity. Some small-scale business holders started to conduct their business in

phone and online mode, and some of them are willing to look for these online modes to sell goods and services.

Interestingly, some business activities have started to book and buy goods from wholesalers and suppliers online. They deliver goods to their store, which minimizes the business holders' time as they do not need to visit their suppliers. The Covid-19 pandemic has allowed small-scale business holders to develop the strategic means in this type of pandemic even in the future. ODOMA and AUDU further suggested working together to overcome this situation from the local level to the global level.

### 2.1.3 Government's Response to Covid-19 situation in Nepal

Covid-19 and its significant consequence, the lockdown, greatly impacted the poor, marginalized, and daily wage earners associated with small entrepreneurship business activity. The Covid-19 situation created a significant challenge for the government to respond. The dilemma between public health and economic activities prevailed at national and international levels, which created a test for leaders and policymakers (Comfort et al., 2020). However, the government of Nepal tries to respond to this situation through different dimensions. The government of Nepal established a 'Covid-19 Prevention, Control, and Treatment Fund' to which various institutions, large-scale business holders, and individuals contributed to support the government for resistance (Rayamajhee et al., 2021). Collective support from the citizens and stakeholders to the national economy plays a significant role to succeed the government's response in this crucial situation. Nepal Rastra Bank (NRB), the central bank of Nepal, unveiled a relief package through its annual monetary policy to moderate the economic effects of the Covid-19 by categorizing the affected group as highly affected, semi-affected least affected (Rayamajhee et al., 2021).

The Covid-19 pandemic has taught the state authorities to be independent and develop their infrastructure for this kind of crisis. ODOMA and AUDU note that the "Government must and will, demand to be independent and autonomous concerning critical medical supplies and medicines" (ODOMA and AUDU, 2020 p43). This reflects that infrastructure related to health and other basic needs must be owned by the government or in control, which plays a vital role in minimizing the crisis in this global pandemic. In Nepal's context, the government's participation in this crisis is prioritized in health services and infrastructure

than in other services, so challenges to small-scale businesses are not prioritized through any government's response (Rayamajhee et al., 2021).

#### 2.1.4 Covid-19 and small-scale business activities: a contemporary issue

Business activities and communities are related phenomena with mutual co-existence and nurturing (Sheth, 2020). As they are an essential component of society, business activity has a greater impact on the socio-economic part of society. In contemporary times Covid-19 pandemic has hit the world badly. As discussed by Bruno Larue, people from his generation and young people have not witnessed this type of economic contraction as significant as the current situation of Covid-19 (Larue, 2020). This sizeable economic crisis throughout the world is creating uncertainty and disbalance in every economic activity in the world. At the same time, this pandemic has developed the chances and opportunity to be stronger and enhance the business activity more strongly and strategically. As Sheth (2020) discussed, the economic crisis given by the Covid-19 is a wake-up call for business in general (Sheth, 2020). In particular, the Covid-19 pandemic has become a significant challenge and has opened and alerted the people worldwide to be prepared and stay with resistance mechanisms to deal with a pandemic.

The government's strategies and responses to this kind of pandemic are vital for the citizens. In the context of the developing state, the governments' response is very low, and the impact of Covid-19 is very high, creating more challenges and uncertainty. However, the developed governments provided wage subsidies, monthly stipends for laid-off workers, and loans to businesses lacking liquidity (Bruno, 2020). As all the business activities of the world are affected by the Covid-19, however as mentioned by Davies, "pandemics do not bring down institutions and systems that are in good shape, but they do precipitate the collapse and end of ones that were already in a poor state" (Davies, 2020 p134). Therefore, the pandemic directly impacts the vulnerable and poor business groups rather than excellent and well-managed businesses. Small businesses with more minor and poor foundations and backgrounds are poorly affected and do not have a strategy to cope with this pandemic. Most businesses have been in a bad situation in recent times because they did not cope with these unpredictable situations.

### 2.1.5 Covid-19 as a significant challenge to small-scale business in Nepal

Small scale business in Nepal faces a more significant problem from temporary shutdown to the permanent shutdown of the business. In the context of Nepal, most of the small businesses were inactive. The Covid-19 pandemic caused the dislocation of small businesses in a short time (Bartik et al., 2020) because most of the small and informal business activities were running their business in temporary spaces such as streets. Such businesses were closed temporarily and waiting for the time to be normal and open again. A more considerable impact in a short time is creating a more significant challenge for small-scale businesses for their sustainability even for their existence. Managing operating costs and other logistic costs of the business is also a great challenge for the business owner where government availability and the relief package for people and business owners also seem less.

Fairlie mentioned that “many of these closures may be permanent because of the inability of owners to pay ongoing expenses and survive the shutdown” (Fairlie, 2020:728). Closures and shutdown of the business lead to the economic and financial impact on the small-scale business, leading to the business’s vulnerability, permanent closure, and uncertainty. Initial observation towards the impact of Covid-19 on small-scale businesses clarifies that the present and future of such business are in critical stages where small scale and informal business are highly affected because of no or very low business activity. The previous estimate of the impacts of Covid-19 on small businesses indicates that no groups were ready for the resistance of this type of pandemic crisis, social distancing policy, and demand (Ibid). In the context of Nepal, small-scale business contributes 22% to the GDP of Nepal as per the fiscal year 2019/20 (Bista, 2020), and a considerable number of lives are dependent on small businesses and informal businesses. As this pandemic hit the small-scale businesses of Nepal badly, there is a direct impact on the economy of the government as well. Fairlie mentioned that “if these closures will be permanent, each month of inactivity has an impact on the revenues, profits, and employees of these businesses” (Fairlie, 2020 p.728). As the different bases of governments’ economy revenues, taxes, and profits are less in the numbers, the economic strength GDP of the states gets lower, and the response to this type of pandemic becomes weaker and poorer.

Moreover, it is a great challenge in every state activity in Nepal, like social, economic, and cultural aspects. Especially in economic and business activities, there were no previous measures to resist this challenge of the economic impact, which is a significant challenge and

issue for the people to face. The workers who are associated with small-scale businesses are in crisis. As discussed by Raut, fewer economic activities and no participation in the economic activities and salaries cuts because of lockdown measures and self-isolation have put pressure on the salary and wage rate index downwards (Raut, 2020). Internal and small business activities of the small and developing states are highly connected with the import trend of the country. Most of the businesses are based on national import supplies, which is directly connected to the economic and business activity of the state. Raut further notes that “on the external trade front, the merchandise trade deficit narrowed due to negligible growth in exports and (negative growth) in imports; the preliminary estimates for the growth in exports up to mid-June 2019/20 was only 0.2 percent while for imports it was negative 15.3 percent” (Raut, 2020:6). The challenges factors of the pandemic are increasing in small states as the crisis is longing for the long and hitting the people in the second phase. The vulnerability in small-scale business is getting more complex and complex day by day, and there seems a considerable challenge to compensate for such issues.

#### 2.1.6 Covid-19 and the future of small-scale business

Small scale businesses are in the uncertain phase as they face an economic crisis because of the closure of the business and inactivity of the business. Small businesses are uncertain about the future of their business. The future status of the business is still unpredictable because the business activity is not still as regular as previous, and some businesses are partially closed due to restrictions. The corona crisis throughout the world is creating a dilemma in public health and economic function at the macro and micro levels of the country and global level (Comfort et al., 2020). These dilemmas in the economy are increasing as the span of the pandemic is increasing. Comfort et. al. (2020), further notes that “harsh test reveals the collective responsibility that we share for self and others in uncertain situations of shared risk and the critical role of leadership in decision making and mobilizing collective action” (Comfort et al., 2020 p620).

In the context of Nepal, as speculated by the Asian Development Bank (ADB), before the corona situation, the economic growth of Nepal was expected 7.1 % to accelerate the earthquake reconstruction process. However, because of the pandemic, the GDP and economic growth of the country will be affected badly in 2020 (Ibid). Similarly, the government’s employment rate decreases as the small-scale business holders are the employment sources. With the rise of the pandemic crisis, employment is also dropped



substantially (Comfort et al., 2020). The employment rate in the small business fields is also decreased because these businesses minimize operating costs. Uncertainty and the dilemma of the small-scale business present border uncertainty throughout the world because still, the status of the Covid-19 pandemic and its spread is not predictable (Bartik et al., 2020).

As mentioned in an example by Bartick et al. (2020), American small business holders had little cash at hand at the beginning of the pandemic, which indicated that they would look for more loans or declare their business bankrupt. Therefore, it is still unclear whether American small businesses survive or believe overly optimistic impact(Bartik et al., 2020). In the early stage of the pandemic, it was assumed that it would not last this prolonged and would not affect as large as this is affecting long-term and still not speculative. Exposed businesses such as restaurant, tourism, and services sectors are expected to have a challenging time for longer than four months; however, the uncertainty of the pandemic restriction in small-scale business is increasing (Ibid.). The status of small-scale businesses worldwide is in crisis as the pandemic is hitting badly, and the infection rate is increasing in other forms.

## 2.2 Theoretical Framework

In this study, “Impact of Covid-19 in small scale business in Butwal sub-metropolitan, Nepal”, the researcher is trying to find out the different impacts in the small business aspect. The researcher got attracted to the topic as it is a contemporary issue, and he found that small business holders face various negative impacts in different aspects. The researcher’s idea towards this issue is developed from the perception that many businesses are affected, and industrial businesses with large capital have more resilience. Larger scale and industrial businesses with large capital are run with long-term strategies and are better prepared to manage this kind of crisis. They have plans and strategies to deal with vulnerabilities, and therefore they can respond in a better way than small-scale businesses with no strategies for the emergency crisis. To a more considerable extent, small-scale businesses and informal businesses are based on everyday activity with close contact with customers and are therefore directly impacted by the Covid-19 pandemic. The researcher’s interest in socio-economic, national, and SMEs’ economic factors after the breakout of the Covid-19 are the major determinants of this study. Moreover, the researcher’s curiosity about the uncertain situation of small-scale businesses and their preparedness to respond to the pandemics are the driving source to carry out this study. Different connected ideas to the small business-like socio-

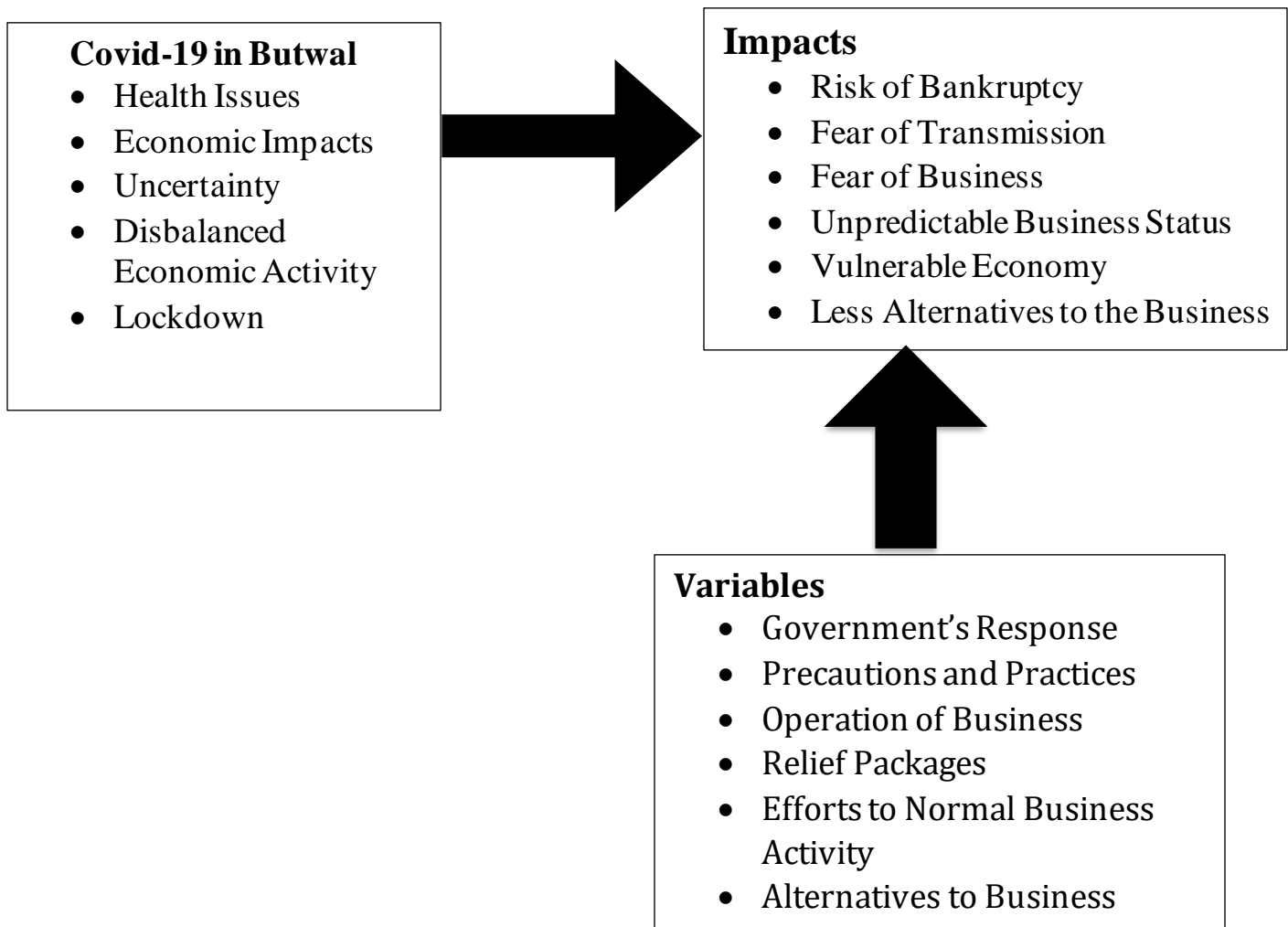
economic factors, resistance strategies, the uncertainty of the business activity, and financial impacts are significant conceptual aspects in the study.

In this research, the researcher has based the study on the theory of social microfinance. The theory of social microfinance is related to several fields, and it is interconnected to the issues of globalization, neoliberal policies, and economic vulnerabilities reduction (Herath, 2018). The theory of social microfinance is based on economic and social importance because it connects minor financial aspects of the society to the betterment of livelihoods and financial stability in a particular context. In the contemporary context, the credibility of social microfinance is grown up because it is working as a tool to address socio-economic vulnerabilities which tries to expand and discuss the connections among the societal and economic spheres (Herath, 2018). This study tries to highlight the impacts of Covid-19 in small-scale business, and all the impacts to small-scale businesses are connected to financial activity and status of the business. Respondents of this study are affected financially, and the consequences are linked to every other social aspect like socio-economic and socio-cultural factors. Small-scale business activities are the most important strategic part of generating economic growth, which helps in reducing unemployment, inequality, and poverty (Herath, 2018). Therefore, the researcher found that the theory of social microfinance is relevant for this research.

### 2.3 Conceptual Framework

A conceptual framework in social science research is a theoretical concept that portrays the connections among variables and other research components. The conceptual framework is generally prepared before conducting the study and revised during the study's progress.

Fig.2.3.1 Theoretical Framework



Source: Researcher (2021)

Figure 2.3.1 indicates the relations among different variables and impacts of Covid -19 on small-scale businesses of Butwal Sub Metropolitan City. The initial effects of Covid-19 were lockdown, uncertainty, health issues, disbalance in the supply chain, less productivity, less business activity, and economic impacts. Most importantly, small-scale business holders faced economic impacts which are interconnected to all other effects. The impacts of Covid-19 on small-scale business are created by the government's response, precautions and practices, business operation, relief packages, efforts to regular business activity, and alternatives to business activity because these variables determine the impacts on small-scale

business activity. Ultimately, these effects and variables create unavoidable results for small-scale business activity, such as risk of bankruptcy, fear of business activity, unpredictable business status, vulnerable economy, and lack of alternatives.

Small-scale businesses and SMEs are primarily run on a household basis. Most of them are financed by banks and government/international agencies, connecting them to the national and international levels (Herath, 2018). Here, the theory of social microfinance tries to shed light on small-scale business activity depending on the support on the community level and connects them in the actual context where they can reach each other in need. Therefore, the theory of social microfinance is relevant for small-scale businesses at the community level linked to the national and international level but exposed to different threats and risks such as the COVID pandemic.

## **CHAPTER THREE: RESEARCH METHODS**

### **3.1 Introduction**

Social research involves the research activity on social science for a conceptual and theoretical understanding of a particular social issue (Bryman, 2012). This research is based on social research methods, which are focused on developing awareness and portraying the impacts of Covid-19 in the small-scale business of Butwal City, of Nepal. All the techniques in this study are the theoretical and behavioral principles of social research methods. In this chapter, the researcher will describe the methods explicitly used in this research.

### **3.2 Research Strategy**

According to Bryman (2012), research strategy means getting to the point of social issues, understanding social research methods, and suggesting choosing and implementing (Bryman, 2012). Usually, research strategies are the tools to get to the expected output of the research activity. The researcher utilizes strategies based on the research objectives and theories. The researcher chose a qualitative research strategy to discuss his goals and research questions in this study. A qualitative research strategy has opted because the nature and data of the study are qualitative. Qualitative research commonly focuses on words than numbers, which sketch out the ideas of the relationship between theory and research in different dimensions (Bryman, 2012).

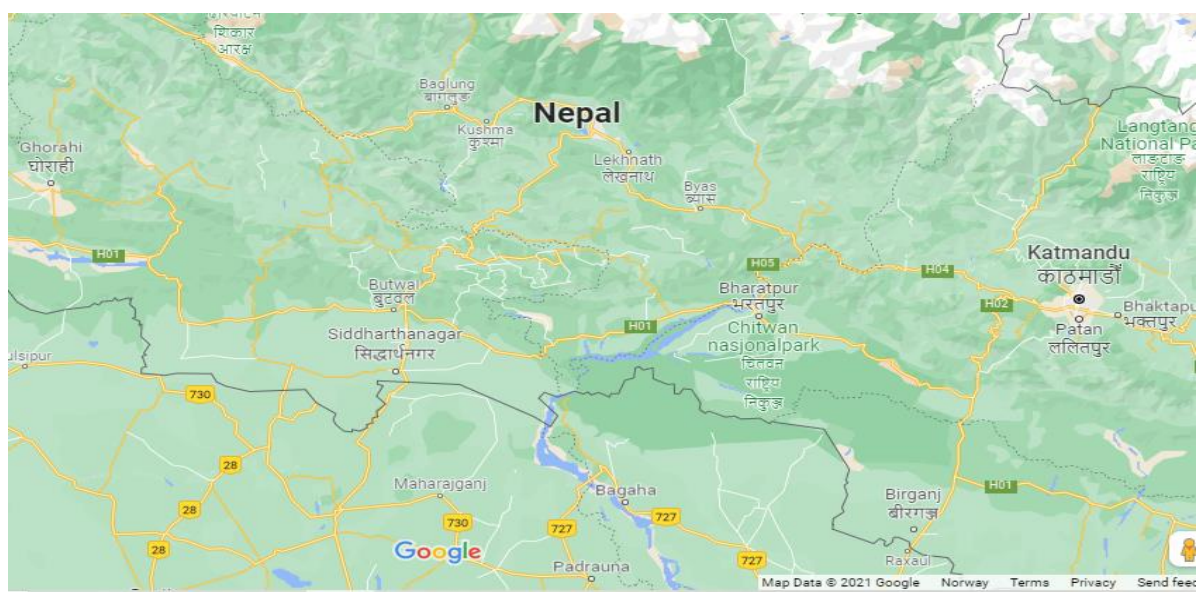
According to Bryman (2012), qualitative research is the research strategy where quantitative data are not collected. Instead, the qualitative research strategy leads the researcher to collect qualitative data through different methods and analyze them. As mentioned by Bryman, these are the primary research methods based on qualitative research: participant observation, qualitative interviewing, focus group, and qualitative analysis of secondary literature (Bryman, 2012,p383). In this research, the researcher has applied the qualitative interviewing method and qualitative analysis of secondary literature to collect the data.

### **3.3 Geographic Study Area, Context, and Duration**

Butwal Sub-metropolitan city is among the major cities of Western Nepal, located in Rupandehi district and Lumbini Province of Nepal. The city's population density is high, and the population is mixed—a mix of indigenous people and people from the hilly area (mostly

from neighboring hilly districts). The population of Sub-Metropolitan is about 130 000, and the total size of this city is 100.69 km<sup>2</sup>. This city is connected to another major city of Nepal named Siddharthanagar (Bhairahawa), the headquarter of Rupandehi district. On the other hand, Siddharthanagar is the neighboring city of Butwal and India. Moreover, Siddharthanagar is considered the major industrial city of Nepal and is close to India. These two factors border town of India and Nepal, i.e., Belhaiya and the industrial area of Nepal Siddharthanagar, are the determinants of the business activity in Butwal City, which contribute to supply and production.

This city is near the border to India of Nepal, i.e., Belhaiya. Belhaiya border is among the longest border of Nepal to India, from where the import rate to Nepal is high. Belhaiya is a border town of Nepal considered the largest border of Nepal through which huge amounts of goods are imported to Nepal. Hence, this city covers a considerable business activity in western Nepal. Hundreds of small-scale businesses are running in this city, and, in recent times, they have been directly affected by the Covid-19 pandemic. In this context, small businesses are run with small budgets and sell services and goods. Small-scale businesses like cafes, restaurants, vocational training institutes, education consultancies (for studies abroad), small construction companies, and workshops (motorbike and car repair) are affected. Formal and informal both kind of business is the concern of studies. Informal businesses are those businesses such as street shop stalls, not registered businesses. Apart from that, many everyday business activities are also the context of the study. This study will be limited to the Butwal Sub-metropolitan City, Nepal



Source: Google Map

### 3.4 Research Design: Case Study

Research design is a framework for collecting the data and analysis (Bryman, 2012). Research design is a blueprint and structure for the whole research process which directs a researcher to answer the research questions. Particular research design helps to understand the decisions and priority from different dimensions of the research process (Bryman, 2012). Research designs lead a researcher through the whole framework, whereas research methods are particular to the contexts. In this study, the researcher has conducted in-depth qualitative interviews with small-scale business holders of Butwal Sub-Metropolitan city. The researcher has decided to research this topic to understand the particular case of Butwal Sub-Metropolitan City. Understanding the impact of the Covid-19 pandemic on the small-scale business group is the primary case study of this research.

In this study, the researcher has investigated the significant impacts of Covid-19 on the small-scale business of Butwal. To understand the research questions, the researcher has made different observations and case studies. There is a huge trend to associate case studies with qualitative research (Bryman, 2012). As the qualitative research mainly implies case studies, this research also adopted a case study of small-scale business holders and informal businesses of Butwal Sub-Metropolitan City.

### 3.5 Target Population and Participants

In the research activity, the target population refers to people who have similar interests, features, and backgrounds. In this study, the researcher has interviewed 16 respondents from three categories of small-scale businesses. The first group of the respondents with six persons are from goods selling business background other respondents with six persons are from the service selling background. Moreover, the last group of the respondents with four persons are from the service and goods selling business background. Thus, all the study participants are from small-scale business backgrounds with similar interests and characteristics. This study has been conducted to understand the overall impacts of the Covid-19 on the research participants and to generalize it in a broader phenomenon.

### 3.6 Sampling

The researcher has collected data from people with the same background and interests in this research. The researcher in this study used a snowball sampling method. In the snowball sampling technique, the researcher samples a small group of people according to the research

questions. Those participants from the small group propose other participants who have the experiences and ideas relevant to the research (Bryman, 2012). In this study, small-scale business holders who are directly impacted by the Covid-19 are selected. The selection of the respondents took place on the initial observation and research objectives.

In this study, the researcher has included the small-scale business holders who seem vulnerable and hit severely by the Covid-19 after its breakout. The respondents have a common business background, i.e., small-scale business backgrounds; however, the researcher has categorized them into three categories. They are goods selling a business, service selling business, and a combination of service and goods selling business. The researcher has included three categories to conduct cross-sectional and comparative analysis simultaneously to maximize the reliability of the data.

In the sampling part, the researcher planned to interview ten respondents, but with the need for the research questions, the researcher interviewed 16 respondents. All the respondents with the same business background assisted the researcher in collecting enough information for analysis. In-depth interviews with small-scale business holders led the researcher to understand and analyze the impacts of the Covid-19 in small-scale business quite smoothly. In this research, all the interviews took place in face-to-face mode. Among sixteen interviews, the interviewer recorded twelve after signing the consent form and did not record four because the respondents denied even after assuring confidentiality.

### 3.7 Inclusion Criteria

In this study, the researcher has included the small-scale business holders of Butwal Sub-Metropolitan city. Small-scale business holders who have been running small-scale business activity for a minimum of five years are the study's respondents. Respondents of the study are experiencing the impacts of the Covid-19 since the breakout of the Covid-19. Therefore, the researcher hopes to get relevant and sufficient respondents about their small-scale business experience. Included respondents are the significant source of the information and data to which the entire research is dependent.

### 3.8 Data Collection Methods

Data collection is an essential part of any research activity. Every researcher looks for relevant and sufficient data for the research activity through different data collection



methods. The researcher adopted different data collection methods to address his research questions in this study. This study's data collection methods are applied as per the research strategy and research design. This study has adopted qualitative interviews, qualitative literature analysis, and observation for the data collection methods. They are:

### 3.8.1 Qualitative Interviews

A qualitative (semi-structured) interview is the most used method in qualitative research (Bryman, 2012). In the qualitative interview, the interviewer asks questions to the interviewees based on the research questions and need; in qualitative research, researchers emphasize the initial generality of the research and interviewees' perceptions (Bryman, 2012). Interviewees' information is paid close attention to, and the information from the interview is the determinant of the research work. In addition, qualitative interviewing highly emphasis the interviewees' point of view on the particular research issue (Bryman, 2012).

In this research, the researcher has interviewed a total of sixteen interviewees. Among them, six are from goods selling business activity, six are from service selling business activity, and four are goods and service selling business. All the interviews are done face-to-face with a set of questions called an interview guide. In addition, those interviews which are not recorded are transcribed through notetaking by the researcher during and immediately after the interview.

The researcher has adopted the qualitative in-depth interview method to collect the data in this study. Most of the interviewees were confident enough to answer the questions during the interview. Even they gave additional information to the researcher, who led the researcher to ask more questions based on the replies. In a qualitative interview, 'going off at the tangents is encouraged, which assists the interviewee in providing relevant and important information (Bryman, 2012). Furthermore, in qualitative interviews, the interviewer and interviewee can further issues than the interview guide because subjective questions and answers attract more information and become more descriptive. In addition, Bryman notes, 'in qualitative interview interviewer can depart from the interview guide where the interviewer can ask follow up new question based on the replies' (Bryman, 2012). Thus, qualitative interviews lead to in-depth interaction and help to collect more information and data.

The researcher tries to collect the interviewee's information as much as possible and analyze them to connect to the research questions. In the qualitative interview, the researcher looks for detailed and sufficient answers from the interviewees, where the qualitative questions are set to cover the research questions (Bryman, 2012). Bryman further discusses that interview questions may not follow the actual way as mentioned in the guide, and questions that are not in the list are also asked as the situation of the replies (Bryman, 2012).

### 3.8.2 Qualitative Data Analysis

The researcher has employed a qualitative data analysis method to collect and analyze data in this study. Data analysis of similar issues to the research questions helps a researcher find the answers to research questions broadly. Therefore, qualitative research analyzes heterogeneous data sources such as letters, newspapers, magazines, and documentaries (Bryman, 2012). In this study, the researcher has collected relevant newspaper articles and other documents for the analysis. In the initiation of the research activity, such data gives ideas to understand the general issues and helps the researcher adopt different techniques to address his research questions.

In this research about the impacts of the Covid-19 pandemic in the small-scale business of Butwal Sub-metropolitan city, the researcher has contacted local authorities to gain access to the official documents published by the governments and stakeholders' documents and looked for the local newspapers on different dates during the high peak of the Covid-19 in the city. Similarly, various information on the local news and institutions' websites is also the source of secondary data in this research. In addition, guidelines and policy of the Municipality office and Ward offices of Butwal Sub-metropolitan city are secondary data sources. Those data helped the researcher shape this research activity.

### 3.8.3 Participants' Observation

Every research activity needs a context and environment for the research to conduct. Participant observation is an activity by the researcher where the researcher goes in the group for a certain period, observes the participants' behavior, listens to the conversations between others and the fieldworkers, and asks questions (Bryman, 2012). The researcher has done a short participant observation for ten days in this research. The researcher listened, talked, and conversed with the small-scale business holders of Butwal, City. In the participants' observation researcher realizes the actual context and environment of specific research issues,

which assists the researcher in making a clear idea and understanding the participants quickly. Furthermore, participant observations lead the researcher to build rapport and extract more information smoothly. Although, in this research activity, participants' observation could not last for long because of the risk of the Covid-19, an attempt to observe helped to collect data.

### 3.9 Data Analysis Process

Qualitative research focuses on the analysis of collected data. Analysis of the collected data determines the findings and conclusions of the research activity. Generally, in qualitative research activity, the researcher collects lots of data even they are not needed for the study. Too much data for the researcher is a great deal to choose and include in the analysis part. Qualitative research data analysis techniques seem painful as they give ambiguous rules to handle data (Bryman, 2012). In this study, the researcher has employed a thematic data analysis technique, on which the researcher has analyzed the theme of the interview scripts and other secondary data. The researcher developed a theme from the collected data through interviews and analyzed those interview themes to reach the study's findings.

Coding is the most crucial technique for the analysis of data. To make research fruitful, the researcher codes the data during the data collection time or immediately after the data collection. The significant steps of coding mentioned by Bryman are code as soon as possible, read through an initial set of field notes, do it again, review code, consider more general theoretical ideas concerning code, keep coding in perspective (Bryman, 2012). In this research activity researcher employed coding to include the most relevant data. The researcher coded the data during and after the interview as relevant and needed to answer the research questions. Similarly, the researcher coded the secondary data and information and the interview script immediately after collecting and transcribing the interviews. As Bryman (2012) mentioned on the previous page, all the coding steps are used in this research.

Thematic analysis is the most common technique for qualitative data analysis (Bryman, 2012). Ryan and Bernard (2003) suggest looking for: repetition metaphors, transitions, similarities and differences, linguistic connectors, missing data, and theory-related material while searching for the themes in research (Ryan and Bernard cited in Bryman, 2012). Bryman further says that repetition is the most common criterion to catch up with the theme (Bryman, 2012). Moreover, the researcher has used the content analysis method in this

research. The researcher conducted an in-depth interview with the study participants and employed content analysis to reach the findings in this research. Taking notes and highlighting the critical points and coding are practical tools for content analysis.

### 3.10 Reliability and Validity

Reliability and validity are the most important criteria for assessing the quality of social science research (Bryman, 2012). Reliability and validity are the standard terms used in social research similarly or together. LeCompte and Goetz in Bryman (2012) discuss reliability and validity in two types, external and internal reliability and validity. External reliability means the degree to which a study can be replicated, where internal reliability means members and observers of the research team agree about what they say and hear (Bryman, 2012). Validity of the research refers to the trustworthiness of the data and findings in the context of society. Validity of the research means the contextual process of the research and its connection to social life. Internal validity refers to a good match of the researcher's observation and the theoretical ideas they develop. Moreover, they argue that internal validity is the strength of qualitative research. The participation of the research members in social life allows the researcher to ensure a high level of connection between concepts and observations (Bryman, 2012).

In this study, the researcher has enhanced the validity and reliability of the entire research through different means. The researcher met the interviewee several times before interviewing to clarify the research topic and give detailed questions. Similarly, the researcher has observed the respondents and developed some coping skills through meeting up before real interviews and discussions to make research more reliable and valid. On the other hand, the researcher has gone through other literature and secondary data about the research topic and examined them to develop the reliability and validity of the research activity. The validity and reliability of the research are measured with the degree of generalization of findings in social settings. Thus, Bryman argues that the social science researcher employs these terms validity and reliability to develop the criteria for examining the research (Bryman, 2012).

### 3.11 Ethical Consideration

Social science research demands a high level of ethical consideration for any research activity to conduct. The researcher cannot neglect any ethical issue while conducting research. As

mentioned by Bryman, major ethical issues are harm to participants, lack of informed consent, invasion of privacy, and deception (Bryman, 2012). Ethical guidelines of the research are also considered determinants of social science research. Qualitative research focuses on ethical guidelines because most social qualitative research is based on society and people observing, conducting interviews, and looking for in-depth information. In addition, participants of the research must be assured about their privacy and should not be harmed in any form.

Any research activity which involves human participants must assimilate the formal ethical review (Bryman, 2012). In this study, the researcher has gained the first ethical permission from NSD (Norwegian Centre for Research Data) in January 2021. This study focuses on human participation; therefore, it needs a high consideration of ethical issues that can come up during the research process. In this research, the researcher prepared informed consent form before conducting the interview. The researcher mentioned the form of informed consent and signed it before conducting interviews. All the informants as well signed the informed consent form.

Furthermore, the researcher mentioned their right to withdraw from the interview, even during the interview, if they feel uncomfortable. The researcher assured the confidentiality of any form of identification such as name, gender, or other identification. No form of identities such as name or ID number is disclosed throughout the research. The researcher confirmed using the respondent's data only in this research and ask them if they use it in other research activities. Furthermore, the researcher has mentioned the purpose of the research. He mentioned that the researcher is a student, and this research will be submitted to the University of Agder.

In this research, the researcher has confirmed and assured any data and information confidentiality. Respondents have the right to withdraw from the research activity even after the interview and before the research work is finalized. The researcher coded respondents with symbols to recognize what and who said the detailed information. Note-taking while conducting an interview and coded with symbols without any name or identification of respondents.

### 3.12 Challenges and risks

This research is concerned with the challenges of Covid-19. The Covid-19 pandemic is the major challenge for the researcher to conduct this research work. The researcher's social and travel restrictions are significant challenges because of the Covid-19. The Covid-19 hindered the research regarding time and communication to the respondents. The researcher needed to follow the social restriction in Nepal during the fieldwork and quarantine for ten days during the fieldwork, which extended the fieldwork time. This led to more workload, so fieldwork by the researcher became a little hectic. Exposing to the respondents in the interview was also fearful even after the following measure because the Covid situation in Nepal was high at the time of fieldwork.

On the other hand, the researcher had limited time for fieldwork. The researcher needed to wait for the time of respondents to interview because respondents had given unusual time for the interview. Respondents asked to change the interview schedule and provided unusual times such as early morning, late evening, public holidays, and weekends. The researcher of this study is a student at university and conducting this research to fulfill the requirement to complete his study. Respondents and participants of the study were expecting a supporting role from the researcher to minimize the impacts of Covid-19 on their business. However, the researcher could not help with their problems.

There are many small-scale business holders in the study area, and most of them were willing to be a part of the research. However, the researcher could not include all of them because of the limited time for the researcher. The nature of the research, i.e., inclusion of the many respondents, may lead to vagueness for the research activity. Therefore, the researcher picked only a few of them. The researcher found several impacts than the research questions. The researcher could not include all the information by respondents because of the vagueness and plan of the research.

On the other hand, managing time for the research activity, finalizing the respondents are the challenges during this study. Similarly, finalizing the information was also a challenge because the researcher collected rich information even in a short period. Taking notes, transcribing, and analyzing the research took longer than expected because the researcher found difficulties finding the analysis direction.

In social research, language plays an essential role. One of the significant challenges for the researcher to obtain information from the respondents is the Nepali language. All the respondents might not understand and speak other languages such as English than their native language (Bryman, 2012). In this research, the researcher needed to transcribe interviews in Nepali and translate them into English, which became time-consuming for the researcher.

Some of the respondents were shy and fearful even after assuring them confidentiality because they took part in this type of research for the first time. The researcher needed extra time to make them comfortable to answer the interview questions. Most of the respondents gave limited time for the interview, but some took longer than planned, which led to the pause and plan for the next day. Some respondents were giving more information than needed, whereas others were giving less information. Recording the interview was also challenging because some were unwilling to record due to privacy issues.

### 3.13 Permissions

Researchers need to have permission to conduct a formal research activity. The researcher first got permission from the Global Development and Planning department, the University of Agder, in this research. Similarly, the researcher got permission to conduct this research activity from NSD (Norwegian Centre for Research Data). The researcher did not need any approval from Nepal and the Butwal Sub-Metropolitan office at the fieldwork time. However, the researcher reported the research activity to the Butwal Sub-metropolitan City office. Officials of Butwal Sub-metropolitan and ward offices supported the researcher by providing data and other assistance. This research was only started after collecting the needed permissions and notifying the concerned authorities. The researcher collected signed consent forms from all the respondents before conducting the interview.

### 3.14 Covid-19 Preparedness

The world is suffering from the Covid-19, and the situation became more challenging in developing countries like Nepal, where this study took place. In this study, the researcher is highly aware of the transmission and spread of the Covid-19. Therefore, the researcher prepared a blueprint and traveled to Nepal for fieldwork in February 2021. A qualitative interview is the primary data collection method of this research. The researcher has followed all the social restriction measures such as wearing a mask, keeping two meters of distance while conducting the interview, and avoiding contact with respondents or participants. The

researcher maintained all the social measures during the Covid -19 period. As a result, participants of the research were assured safety in terms of the spread of Covid-19. Fortunately, the researcher got to know that he did not harm any participants in terms of the Covid -19 and other issues through follow-up communications.



## CHAPTER FOUR: MAJOR FINDINGS AND DISCUSSION

### 4.1 Major Findings

#### 4.1.1 Introduction

In this study, small-scale businesses refer to business activities conducted with less capital (from \$1000 to \$10000) and few employees (3-5 employees). Small scale businesses have prevailed and are very common in the study area, i.e., Butwal Sub-Metropolitan City, Nepal. In this study, various business activities are included, such as cafes, small restaurants, motorcycle workshops (which repairs motorbikes), small construction companies (which work for repairing and maintenance), vocational training institutes (which provides different vocational training such as barista, bartender, cookery), education consultancies (which provide counseling and guidance to students for abroad and domestic studies), fancy shops (clothes retailer), small grocery shops, fruit shops, job providing agency, tours and travel companies and color house ( home color paint retailer). The researcher collected and interviewed small business holders from service-oriented businesses and goods selling businesses in this study. These business activities seem directly affected by the Covid-19 crisis pandemic and its consequences. Therefore, interviews with such business holders are the prime determinants of the findings.



*Figure 1 Small and Informal Business are open after the Lockdown in March, 2021 but business activity is very low.*

*Photo Source: Researcher*

“Impact of Covid-19 in small scale business of Butwal Sub-Metropolitan City, Nepal” is a study primarily focused on sketching out the impacts of Covid-19 in the small-scale business of Butwal, Nepal. Covid-19 is hitting the world badly, and almost no sector is left untouched by its effects and impacts. Small-scale business is vulnerable in developing countries, and they are based on daily business activity. As the Covid-19 pandemic created closures and lockdown throughout Nepal, immediately after the first phase of the Covid-19 in March 2020, all small-scale businesses face vulnerabilities and challenges in maintaining their business activities and other related activities. In this study, while analyzing and generalizing the impacts of Covid-19 in the small-scale business of Butwal Sub-Metropolitan City Nepal based on interviews and observations, the following are findings in different factors and issues.

Informants of the study are primarily the small-scale business owners, who are running different types of business as mentioned above. In the study, informants are from 25 years old to 50 years old in age group. All 15 interviewees had a small-scale business background; ten were male, and five were female. In this study, qualitative research questions were asked, and the study is primarily based on the information collected from the interviewee and subsequent analysis. Most small-scale businesses are family-based businesses that are run by the collective support of the family member. However, other family members than the owner are engaged in a different field. On the other hand, some small-scale businesses run with the composition of family and external employees.

Usually, goods selling businesses are focused on the business activity on which they buy goods from the wholesalers and sell goods with margins to the customers as a retailer. Similarly, some businesses are a mix of goods and services selling, for example, restaurants, motorcycle workshops, construction companies. Moreover, some service-oriented businesses include vocational training institutes, educational consultancies, human resource agencies, tours, and travel agencies. Informants of this study are the small business holders who sell goods, services, and a mix of goods and services. Commonly, they sell goods and services from their location and through the drop-in method.

#### 4.1.2 Thematic Analysis

The thematic analysis aims to develop an index of themes and subthemes and analyze them based on particular objectives (Bryman, 2012). In this study, the researcher has applied the

thematic analysis technique to analyze the collected data. Researchers developed themes and subthemes through field notes, reading, and rereading. Themes are the product of field notes, transcripts, and reading (Bryman, 2012). These developed themes and subthemes are connected to other data from interviews and secondary literature to reach the study's objectives and answer the research questions.

#### 4.1.3 Customers and context of the study area

Usually, the customers of the small-scale business holders are not particular, i.e., specific groups. Customers appear in the business as per their needs. Small-scale business holders are primarily dependent on their customers, and customers' buying habits determine their business activities. Butwal sub-metropolitan city is the commercial area where several economic activities are conducted. Butwal city is located in the Rupandehi district of Nepal, and Rupandehi district is one of the central industrial districts of Nepal. This district is located in Nepal's plains (Terai) area and shares the border with India named Belhaiya-Sunauli border. This border is among the longest borders of Nepal in terms of import and export ratio. Therefore, small-scale business depends on import companies based on Indian products. In other words, the dependency of business holders on Indian products is very high, and this plays a crucial role in business activity.

#### 4.1.4 Initial Impact of the Covid-19

As the Covid-19 crisis hit the global order directly, human activities were affected and hindered. Small scale businesses of Butwal City are affected directly, which creates fear and uncertainty in the business activity. Most businesses are the primary source of the family income on which all the family members are dependent. Lockdown and Covid crisis made the people shut down their business temporarily, which broke the chain of income and economic activities of the business activity holders. Lockdown created difficulties in supplying goods and services because of social restrictions guidelines and fear of the people. Business holders find it difficult to maintain the daily family expenses because of the Covid 19 crisis. One informant mentioned:

*“Opening shops, selling goods, conducting the business activity and managing personal and family expenses was the major chain, this Covid-19 crisis has created a big challenge to deal with family expenses and increasing more uncertainty in the business” (Interview, March 2021)*

Importing goods such as foods, clothes, and other essential supplies for small-scale business holders is minimized. However, goods are getting expensive because of less production and extra supplies costs because of the Covid-19 crisis. While conducting the business activity, there are very few movements such as people only seen outside to buy foods and get health services in the city. On the other hand, goods are getting more expensive, creating more problems for import and supply in the market. Similarly, Nepal is more dependent on imports, primarily from India and China, highly populated. These countries are also in a risky situation because of Covid-19, which impacts their production rate. Significantly minimized import rate, a seal of the border frequently, high prices of the goods and fear of the people because of Covid-19 are the significant initial impacts of the Covid-19 in small scale business of Butwal, City. One interviewee mentioned:

*“Most of the goods come to our shop through wholesalers, and those wholesalers are dependent to Indian and Chinese products, these days products through borders are coming less in numbers and with a high price. Moreover, there are fewer people in the market and on the other hand, prices are getting high, which is creating a problem for us to purchase and sell the goods and even the customers are minimizing their shopping habits” (Interview, March 2021).*

The community experienced a break in the economic circulation, which led to imbalanced business activity. As migrants’ workers from the other places of the country and overseas workers started to get back home, people with a job in the city were laid off and not getting paid as usual, which created jobs loss and impacted the income and expenditure chain. Business holders believe that limits in the remittances impact their business activity as the Nepalese economy depends on migrant workers and remittances. Break of the chain in the economy are the determinants of the impacts in business activity, which are interconnected. People spend money when they earn, and needs are based on the financial status of the person or family. One informant mentioned:

*“People who were working in India, Middle East/ Golf are returning to home because of laid off and other reason, which minimized the source of income in several families which created control in the expenditure by the family members. We are also getting fewer customers than earlier and facing challenges because of less activity in the business” (Interview, March 2021).*

Uncertainty of the business is also a significant initial impact for the small-scale business holders. People are less optimistic about business activity. However, they are stressed and feared and face various psychological issues because their business is the primary source of family and other expenses. Break in the business chain, problem in imports and fear among the consumers, frequent lockdown, and lack of alternatives create more significant impacts.

#### 4.1.5 Major Challenges after the Covid-19

In the crisis of the Covid-19, small-scale business holders face many challenges as they are not able to run their business activity as previously. Most business owners who run small and informal businesses are worried about business status. They could not predict the pandemic crisis or speculate how long the situation would last. There is no usual business activity, and the government is focused on the lockdown and restriction plan rather than any relief plan and packages. These situations are making insecure and insecurity to the small-scale business holders. One interviewee mentioned:

*“We feel the situation and this crisis by Covid-19 is unpredictable as the government is imposing the lockdown throughout the country with many restrictions people are stuck at home, and we are compelled to close the business activity” (Interview, March 2021).*

Most small-scale business holders believe that business was going well before the pandemic, and the pandemic has set the business to the bottom level. Therefore, a significant challenge is to take the business to a previous or average level. At the same time import rate is too low than earlier, and goods from international and national production are minimized. Therefore, people are facing challenges to make regular business activities. On the other hand, goods and services are getting more expensive than earlier, creating a significant challenge to handle the situation. Small-scale business holders trying to conduct business activity by the different preventive means in the period of semi lockdown are also facing problems in stock and purchasing goods because the flow of the goods from their wholesalers is not as sufficient as they want because of border and price issues. One informant mentioned:

*“We are unable to buy the goods from our wholesalers because of the seize of the border and even when the open border goods slightly are coming less in quantity and high in price” (Interview, March 2021).*

Similarly, paying to the staff and holding them is a challenge for small-scale business owners. They could not pay quickly to the staff and holding them is challenging because the business activity is minimized and stopped because of social restrictions, lockdown, and government announcements. They could not lay off the staff as they have been working with them for long, and at the same time, there is a financial challenge to pay them and hold them in an uncertain situation. Even if job holders are laid off, there would not be any address from the government in the jobless situation. One informant mentioned:

*“Holding staffs is being a problem for us because of less activity in the business and at the same time laying off is also a challenge because they are working for years, and we hired them with some oral promises for the security of a job. Nevertheless, we need employees after the corona situation gets over, so we are in a dilemma for employees whether to hold them or lay off” (Interview, March 2021).*

Another interviewee said:

*“We are mostly accustomed to traditional ways of business activities without any online means or through internet publicity. In this situation of the Covid-19, we are feeling hard to switch our business to internet publicity and conduct through online means or any other alternatives for business activity” (Interview, March 2021)*

Delivering goods and providing services in a new model through convenience means is also a challenge for them. Business holders are not aware of the alternatives means to conduct



Figure 2 Small-scale Business holder waiting customers to visit the shop. Photo Source: Researcher (March,2021).

business activity. Very few business activities are done through online communication and door-to-door service method. Business holders do not have a clear idea about being convenient online and do not have good backups and investment plans, which creates a challenge.

#### 4.1.6 Preparedness for this kind of pandemic

The Covid-19 crisis is an entirely new experience for all in the context of Nepal. Preparedness and strategic plan for this kind of crisis and pandemic are rare and new. Concerning the small and informal business activities, they are run on a small and limited budget. Most small-scale business holders say that they did not have any preparedness and a backup plan for this kind of pandemic, making the condition challenging and complex.

One interviewee mentioned that,

*“I am experiencing this kind of pandemic for the first time in my life, and I was never aware of this kind of crisis. Therefore, I was never prepared with any plan for this kind of pandemic, and this Covid-19 pandemic taught a lesson for backup and strategic preparedness for the business” (Interview, March 2021).*

Furthermore, they say they were not too serious about the pandemic when the Covid-19 pandemic broke out because there was so little impact in Nepal in the early months. However, it has significantly impacted the supply of goods because social restrictions and lockdown lasted for longer. Therefore, there is no certainty when the situation gets normal. Moreover, as there was no preparedness in this kind of pandemic and crisis, business holders faced different problems. They could not maintain regular business in an alternative way, problem in cash flow creating problems in paying interests and installments to bank loans.

#### 4.1.7 The economic status of the business after the breakout of the Covid-19 pandemic

The economy and the financial part are the essential backbones for any business activity as they determine the status and future of the business. Small scale business holders face a very vulnerable economic status because they are based on daily business activity and cashflows. Small and informal businesses are considered the insecure business group in the usual context; however, they enormously cover the state’s economic activities. Significantly less business activity leads to less income, and they are facing different financial problems. They

are clearing stocks but could not add stuff, and buying goods is getting more expensive than earlier. One interviewee mentioned:

*“Major challenges because of the Covid-19 are financial challenges, as my shop is closed because of lockdown I could not receive any cash from the customers and on the other side when I am allowed to open my business activity customers to my shop are very limited, and even, I have got a minimal stock of goods in my shop” (Interview, March 2021).*

Some business holders mentioned that they are recovering the business loss after the lockdown opened and are hopeful for the situation to get normal. On the other hand, they are scared of another lockdown as the corona is hitting another part of the world as a second wave and in a new form of the mutated virus. Operating costs, paying rent to the landlords, paying bank loans, and interest are the primary financial problems for small-scale business holders. An interviewee said:

*“After the lockdown, we are feeling like the situation is getting back to normal not completely but slightly as we can conduct little business activity and getting some business flows than in the complete lockdown period, this is giving hope to recover the loss in our business” (Interview, March 2021).*





*Figure 3 Even after the lockdown, customers are not seen in the shops and stores—Photo Source: Reseachrher (March 2021).*

Small scale business holders believe that daily wages-based people and families of the migrants' workers, middle-class families are the primary consumers and customers of their goods and services. As lockdown created crisis and loss of the jobs of domestic and migrant workers is also creating a more significant impact in the business. On the other side of the business activity, even after the partial opening of the lockdown, people are not visiting stores and shops because of the fear of Covid-19.

#### 4.1.8 Management of the operational expenses and loans of the business

Operational expenses are the essential expenses of business holders as they have to pay rent of the location, paying staff, and other various expenses. Business holders in this Covid-19 crisis are paying and managing these expenses from savings, loans, and borrowing from friends and relatives. Some business holders say that they support their operational expenses from their personal expenses and minimize additional expenses. Moreover, some small business holders mention selling personal properties like land, gold, and other sellable property. An interviewee mentioned

*“Major operational expenses of my business activity are paying rent to the landlord and paying to the staff” (Interview, March 2021).*

Most of the small-scale business holders say that they have a loan for their business before the pandemic crisis, and the loan is increasing, and they are facing difficulties because of such loans. These loans are from banks, cooperative financial organizations, microfinance organizations, friends, and relatives. The primary difficulty for small-scale business holders is paying interest and installments to the bank in the Covid-19 crisis because they conduct very little business activity and fewer business transactions. However, some business holders say they did not have any loans before the pandemic, but they are adding loans in this situation and paying about 12%-15% annual interest rate. Minimizing lockdown by the government creates a slight atmosphere of business activity and transaction, but a loan primarily depends on paying the interest. An Interviewee mentioned:

*“I started this business with the loan, and I pay 13% annual interest to the bank for my loan. However, because of the Covid-19 pandemic government announced the lockdown and semi lockdown repeatedly, which hindered me from earning from the business. Therefore, I am paying my loan interest, installment, and other operational expenses from the same bank loan” (Interview, March 2021).*

In a crisis, banks and other financial organizations are flexible with their loans. Some financial organizations are extending the date of paying interest and installment of the loan, giving the sense of social action of such organizations to small-scale business holders. Some financial organizations provide Covid Loans to their customers with flexible interest rates and due dates. Business holders are hopeful that the situation will get regular and hopeful to pay the loan after the pandemic. An interviewee said:

*“Financing institutions to our business are flexible for the due date and interest rates for the loan we borrowed from them, and this flexibility has also given some hope for the situation to get normal and conduct usual business activity” (Interview, March 2021).*

#### 4.1.9 Plan to compensate the loss in business and government response

Business owners are worried about the loss and revival of the business activity in this situation. They say that they are self-responsible for the loss and other challenges in business without any assistance. Remarkably, no business holders have any specific plan to regain and compensate for the business loss. However, they are hopeful for the normal situation and do

not expect another lockdown and other social restrictions. Therefore, usual business activity is significant hope for small-scale business holders. An interviewee mentioned:

*“There is not any hope for the assistance to our business. However, we are responsible for the loss of the business in the Covid-19 crisis and getting back to the normal situation is the major and primary hope to regain the business loss and manage other challenges” (Interview, March 2021).*

In the crisis government of Nepal is also struggling to face the challenges. Nepal is working for the resistance in the spread and maintaining the health facilities as a developing country. However, governments’ response to the economic sector is too minimal. Especially in the small-scale business sector, business holders say that there is no plan from the government as the relief package. However, the government is concerned about the tax and VAT collection from the business holders. An interviewee mentioned:

*“government’s response to our business group is not satisfactory, one announcement by the government was ‘extension of the interest and loan installment due date’ to the people who borrowed loans from the government’s financial institutions. However, mainly this announcement is not targeted at small-scale business holders; that is for all the people (Interview, March 2021).*

He further blamed: *“government’s response to the small-scale business is not visible, but the government is seen only focused on collecting TAX and VAT from the business owners in this pandemic situation” (Interview, March 2021).*

Small scale business holders are still optimistic for the government, as the government has announced the relief in interest rates from the government banks’ loans. In the initial and first phase of the government response, small-scale business holders did not get any coverage from the government. However, completely vulnerable (other than small scale-business) groups are focused. Similarly, the government’s response to the community level is focused on medical assistance, and local community groups are active and working to help each other in economic aspects. Another interviewee mentioned:

*“Government is facing a big challenge to manage the spread of the Covid-19 and seeking help from the international community. We must not expect any cash and financial assistance from the government for now, whereas it will be better if government assistance to maintain*

*the flow of goods from national and international market and revise the lockdown measure to maintain business activity” (Interview, March 2021)*

#### 4.1.10 Alternatives to business activity

Small business-scale business holders are going through a crisis because of Covid-19, and they are uncertain about the situation. However, they are looking for alternatives to the business activity and planning to adjust the impacts. Most small-scale business holders say that they are focused on their business upliftment as they do not have any other skills and plan to switch to another field or profession, and even the situation is not so. Most of the business holders are working and looking for compatible business plans. They say they are preparing themselves to do business flexibly as per their nature and by following the national guidelines. An interviewee mentioned:

*“We are looking forward to conducting our business activity with some alternatives and strategies like phone and SMS communication to the customers and door services” (Interview, March 2021).*

Home deliveries services and online booking means to reduce crowd simultaneously are the major planned hopes for the alternative business activity. In addition, they are planning for services through phone or SMS by presenting themselves to the consumers or delivering goods through some additional staff and logistics. Some business holders applied home delivery service as an alternative mode of business which is helping them to conduct some business activity and reach the customers. Usually, people order through phone from home and ask to deliver goods to home and business holder deliver goods to their home. Besides, booking the services through phone and text messages is also an effective way to conduct business activity. Customers and clients call for the bookings of items and services through which business holders can manage particular times and ask them to visit. These ideas help business holders manage client flow and control the visit of the customers at the same time. However, most business holders could not conduct their business activity through any internet mode because they lack the ideas and infrastructure to conduct through any internet and online mode. An interviewee said:

*“I do not have any infrastructure for online mode, and planning for online mode is not possible as it takes to budget and time. On the other hand, I feel it is difficult to implement such strategy” (Interview, March 2021).*

Most business holders are not aware of such alternatives, primarily to the internet and online mode for business activity. They are just in a situation of “just wait and see” and are optimistic about getting better and doing the business activity as usual.

#### 4.1.11 Risk of bankruptcy and resistance plan

The overall and primary impact of the Covid-19 crisis on small-scale businesses is the financial and economic crisis. Most of the small-scale business holders mention that they are not in the stage of bankruptcy. There is less chance of bankruptcy because they conduct a business activity through different means of financial assistance managed by themselves, i.e., loan, borrowing, clearing stocks, applying for the new loans, selling land and other properties, business activity with different alternative methods. An interviewee mentioned:

*“We are struggling for the survival of our business, and we are hoping for the business activity to get better and managing to maintain the business through the loan and new loans. However, we cannot leave the business in this situation because there is more uncertainty in other business or profession as well, so we are fighting against this crisis”* **(Interview, March 2021).**

They are optimistic about the recovery of the business, and some are planning to run their business flexibly rather than giving up. Small scale business holders say that they are directly affected by the Covid-19 crisis and feel vulnerable in the situation. However, they feel they are getting back to normal business activity after the cut-off of lockdown. Continuing the business with different alternatives is the primary resistance strategy for the business.



Figure 4 Small-scale business holders are conducting some business activity after the lockdown. Photo Source: Researcher (March 2021)

#### 4.1.12 Impacts on socio-cultural factors

As the Covid-19 crisis impacted every aspect of society, it has created a more significant impact on the socio-cultural factors. Business holders say that they are experiencing various socio-cultural impacts such as fear, psychological issues, and other family problems. In the context of Nepal, society does not accept different psychological issues easily, which can create another challenge for small-scale business holders. Due to this crisis, social restrictions and poor economic situation are the significant factors affecting them in socio-cultural aspects. One informant said:

*“We are stuck at home and could not meet friends and relatives because of social restriction, all the family members are worried about the situation and could not go out for the gathering, which is creating the atmosphere of fear and increasing some psychological issues among family members” (Interview, March 2021).*

Business holders and their families are limited to their homes and cannot visit family, relatives, and friends because of social restrictions and fear. Social gatherings and meeting relatives are also taken as the means of publicity for their business and goods. Social

gatherings help promote the business and enhance the network among friends, family, relatives, and beyond. Similarly, most leisure activities are minimized and canceled due to covid risks, and all the family members are stuck at home. Schools, colleges are off because those children are limited to home, and they are feeling feared and psychologically influenced by the risks and scenes created by Covid-19. One informant mentioned:

*“Social gathering was also a means of our publicity through which information about our goods and services reaches to the friends, relatives, and their network as well”* (Interview, March 2021)

Small scale business holders say that social activities, communication, visiting friends and relatives, leisure activities are directly impacted by social restrictions, imbalanced schedules, and activities. On the other hand, the poor economic status of the business and family is a significant challenge for managing socio-cultural activities. For example, they cannot celebrate any festivals, social events, or activities. Similarly, they are feared for the spread of Covid-19 to their family and relatives, creating direct and indirect impact in socio-cultural aspects.

## 4.2 Discussion

### 4.2.1 Breakout of the Covid-19

After the breakout of the Covid-19 virus, this area was not affected in the initial four months; however, after March 2020, the government of Nepal announced the lockdown throughout the country, and all the business activities were closed except the grocery, hospitals, and some emergency sector.

Very few businesses activity for months became the most challenging factor after the breakout of Covid-19. The crowded city dramatically changed into the empty one. People got stuck at home. Moreover, people from neighboring districts and the rural area temporarily returned to their place of origin. Some business activities such as grocery, cleaning agencies, pharmacies were not affected highly by the lockdown because of exemptions, whereas most of the business activity after the Covid-19 reached the uncertainty.

Therefore, when the Covid crisis started, the government announced the uncertain nationwide lockdown with safety measures guidelines. In the primary stage of the guidelines and measures government encouraged people to be safe by wearing masks, using sanitizer,

maintaining distance, limit the visit to relatives and neighbors. In some weeks government announced guidelines for the essential small-scale business holders to conduct business by maintaining social distances and other safety measures. Moreover, all the business activity stooped and closed, which created fear of uncertainty and miscued the business holders as their business is based on daily activity.

#### 4.2.2 Business, its owners, and workers

The family members usually start these small-scale businesses. Among these businesses, some are the continuation of the family business. Furthermore, the people start some businesses with little capital and skills from education and training. In this study, business owners of these business activities mostly from middle-class families and run the business with the combination of their own money and loans. Most of the small-scale businesses are conducted in rented houses and spaces. The family member typically runs small-scale business activities. Some businesses require and hire workers as per their needs, e.g., small construction companies hire manual and skilled workers as per their needs and business activity.

#### 4.2.3 Background of the Business and Local networks of the business activity

In this study, most small-scale businesses are such businesses that are daily transactions based. These businesses are retailers of goods and provide services to the local community. These business activities run with minimum capital and other capacities such as business space and staffing. On the other hand, the small-scale business of this study context is conducted with the aim of ordinary income to maintain their family expenses. Moreover, most small-scale business activities are run by family members, with a minimal workforce. Therefore, small-scale business holders' local network also plays an essential role in determining the business activity.

The network is the primary component of any business activity, whether small or large. Most small-scale businesses are limited to the local community and their local network and determine the business activity. Goal-oriented activities among the business and other entities like customers and suppliers are strategic initiatives for the business holders to develop the network and other connections. In the contemporary context, people from similar backgrounds establish a group with a collective purpose to manage their activities. This study's small-scale business holders are members of such collective groups that share and



build a collective aim to maintain their business activity. This network of the business help in a business crisis, and collective support to vulnerable member assist in uplifting and overcoming. Small scale business holders of Butwal Sub-metropolitan city are helping each other through collective support. For example, the small-scale business saves some money in a collective form, and in this crisis time, members support the vulnerable one financially in a flexible way.

Moreover, networking with customers plays a vital role in small businesses as their customers belong to the same community they reside and conduct business. Small scale business holders are trying to reach their customers through different means such as phone and SMS because pandemic has created the situation of chain break in the visit and communication. They are contacting their regular customers and updating their business activities. They can continue with home deliveries and shopping from the store at a particular time by avoiding crowds simultaneously. Therefore, in this crisis of the Covid-19, small-scale business holders of Butwal Sub-Metropolitan city are conscious about their networks among business groups, customers, and suppliers.

#### 4.2.4 Long-term impacts of the Covid-19 Crisis on small-scale business activity

The Covid-19 crisis in small-scale business created several long-term impacts and shifted different dimensions of business activity to another one. Small-scale business holders' attitudes towards the business shifted as the need for versatility is felt by the business holders. Small business holders realized the need for digitalization and technology in business to maximize their reach and services. For example, through social media and the internet, they can promote their business and interact virtually and deliver goods and services after the final deals supported by such digital means. The transformation from traditional attitudes to digital ways can be taken as the positive impacts which can be implemented in the long term; however, it demands some capacity development in its initial phase.

Similarly, the Covid-19 situation has created an impact on the supply chain. Producers cannot produce goods and services as earlier, and their production is minimized because of the availability of resources (human and raw materials). The fear and spread of the Covid-19 created a disbalance in the workers' chain, which created imbalances in production activity. Producers are not producing goods as they demand because of resource issues. Similarly, some retailers are not getting enough supplies because of less production, and some retailers

mention that the price of goods is getting high because of the Covid-19 crisis. Most retailers are not demanding goods from their suppliers because of their imbalanced selling pattern in the Covid-19 crisis. Such issues in the production and distribution chain create the gap among producers and consumers by which small-scale business holders are impacted. Therefore, the supply chain problem is the major long-term impacts on small businesses. The impacts in the supply chain may take time to get balanced.

At the national and domestic level, the Covid-19 has impacted the economy because of various issues such as production, import, export, unemployment, remittances, tourism. These mentioned issues in Nepal are significantly impacting the national economy. Such issues are connected to individuals' economies, which shifted and limited people's behaviors such as shopping attitudes, minimized expenses because people's income is limited and even stopped. These impacts in the economy need a strong determination by the government and other stakeholders to overcome.

#### 4.2.5 Resistance capacities and strategies to overcome the impacts of the Covid-19

The situation created the Covid-19 is not normal, and it is speculated that even after the control of the Covid-19 virus, the situation will shift to new normal. In this situation, small-scale business holders are preparing for the new normal. For example, people may change their shopping behavior in a new normal situation and expect to visit stores less than earlier. The shopping behavior will be mixed with online and physical visits. Therefore, small-scale business holders believe that they should prepare themselves for the new normal and develop their own firms' capacities to enter such a new normal situation. Most small-scale business holders mentioned that they realized the need for change and are ready for the new normal with courage.

Similarly, small-scale business holders believe that government should bring policies to give easy access to the import of most essential goods such as foods, medical supplies, fuel to overcome the impacts of the Covid-19. They are raising collective voices through different campaigns and delegations of government bodies. They believe that easy access to the import of essential goods is vital in compensating the gap of demand and supply chain. Strengthening the supply chain is another primary strategy noted by the small-scale business holders. They are raising their voice to the stakeholders for the precise analysis of the

demand and production, which can help in the supply chain and understand the market demand and production ratio, which ultimately balances the supply chain.

Logistic services are determinant in the small-scale business in everyday business activities. In the uncertain period of the Covid-19 small-scale business, holders are minimizing and reducing their logistic services and expenses as they could cut off the extra expenses. Such logistic expenses can be used to strengthen virtual business mode, such as maintaining the previous network to customers through communication and searching the new network virtually then reaching to the people. Small-scale business holders started to believe that social search engines and media are crucial to their business. Social media are used by the majority of the people throughout the country. They plan to use different social media such as Google, Facebook, and Instagram for the publicity and business network to the customers.

Similarly, business owners' relations with staff and workers are essential in business activity. In this pandemic, business owners must be transparent and communicate enough to develop trust among staff and owners. On the other hand, such transparency and communication encourage employees to work collectively to overcome the pandemic as their economy is connected to business activity. Thus, communication among business owners and staff help to develop and increase trust.

#### 4.2.6 Cooperation with local government authorities and stakeholders

Small-scale business holders of Butwal Sub-Metropolitan city cooperate with government authorities and stakeholders to minimize the impacts of the Covid-19. Firstly, they support the government and other activists such as NGOs and different national and international clubs to minimize the spread of Covid-19 and create awareness for the people. Then, they donate funds and health supplies such as masks, sanitizers, and other medical stuffs to the groups involved in awareness activities.

Similarly, small-scale business holders are involved in government campaigns and packages to minimize the impacts. However, the government seems to be involved only in vulnerable people and groups. Local government and small-scale-business holders are conducting meetings and discussions to address the issues of a small-scale business group as well. However, small-scale businesses believe that the local government lacks enough capacity and funds to support their business. Most small-scale business holders mention that they expect some particular policy than financial assistance, which can ultimately give economic relief

through their own business. For example, suppose government announces some relief policies regarding imports, supply chain, production, distribution, and flexible social restrictions to maintain business. In that case, small-scale business holders can conduct their business activities smoothly. Small-scale business holders are also discussing with the government about the policies and announcements to relief in loan and interest from the government banks and private financial institutions.

Furthermore, small-scale business holders believe that they regularly contact government authorities through their business groups and stakeholders. They mention that they are not receiving any financial relief package. However, they expect some policy announcements to minimize the impacts of the Covid-19. Thus, cooperation among business holders, stakeholders, and local government authorities seem effective in addressing the impacts of Covid-19 in Butwal Sub-Metropolitan City.

## **CHAPTER FIVE: CONCLUSION AND SUGGESTIONS**

### **5.1 Conclusion**

The Covid-19 has created a diverse impact on small-scale businesses directly and indirectly. All the impacts created by the Covid-19 are not measurable and identifiable; however, the researcher in this study tries to sketch out some direct impacts of the Covid-19 on small-scale businesses. This study tries to sketch out the impacts of Covid-19 in different dimensions of the small-scale business holders, such as economic status, daily business activity, management of operational expenses, future of the business, loans, interests, and social relations. Small-scale business holders are experiencing this kind of pandemic in the region for the first time, and they say they were never prepared for this situation. Their unpreparedness as well makes the situation more complex and uncertain. On the other hand, small-scale business activities are conducted with limited budgets and capacities, making them vulnerable to a pandemic. For months, no business activity has led to imbalances and difficulties for small-scale business holders.

The Covid-19 resulted in nationwide lockdown, which led to the closure of the business activity for the months. As a result of the lockdown, small-scale business holders could not conduct their business, and their daily source of income stopped temporarily. They experienced challenges in paying to the staff, paying to the landlords, and even paying the loans and interests to the banks for the money they borrowed to run the business. On the other hand, small-scale business holders face difficulties in managing their household expenses. The direct impacts to the daily activities created uncertainty of the situation, and they could not predict how long the pandemic lasted. They are uncertain about holding the staff because they are experiencing challenges in operational expenses, and the situation is unpredictable. Some business holders laid off the staff, and some are waiting for the situation to get regular and maintain the normal business activities.

Small scale business holders are facing vulnerabilities because of the Covid-19. At the same time, they realize the need for new and modern dimensions and alternatives for business activities. Some small-scale business activities in Butwal Sub-Metropolitan City use social media as the business platform in this situation, which can be handled with minimum time and human resources from home. They use Facebook, Instagram, TikTok, and Google to reach customers, make deals through these social media, and deliver goods and services to

the home. They believe that these social media help promote their business in the pandemic, and it is safer than drop-in shopping habits in the risky situation of the Covid-19. However, some business holders are facing difficulties in using these digital platforms because they lack the capacities and ideas to handle these social media and platforms. The Covid -19 created vulnerabilities to the small-scale business, but it has alerted the shift to new strategies and opportunities.

The Covid-19 situation has created a disbalance in the supply chain, which directly impacts the business activity of the small-scale business holders. Nepal is highly dependent on importing goods from other countries to balance the market demand. Nepal imports mainly from India and China. Closure of the border created a significant challenge in the supply of the goods. After the partial opening of the lockdown, small-scale business holders started to run their business partially.

Nevertheless, they could not get the goods and stuff from their suppliers and producers because of the closure of the border, price, and supply chain disbalances. Supply chain disbalance is also the significant impact of the Covid-19 on small-scale business holders. They are experiencing difficulties in maintaining the supply chain because of the price. Small-scale business holders say that the regular price of the goods has increased drastically than earlier, and people are not convinced to pay the price as usual, which creates difficulties to manage the price gap. Producers, distributors, and suppliers could not manage the supply chain because of the workers, uncertain demands, and increased costs in every sector.

In the pandemic of Covid-19, the government of Nepal announced several relief packages to a vulnerable group of people. However, small-scale business holders during this study mention that they are not mainly focused and included in the relief packages announced by the government. Government focuses on the needy people and primarily focuses on the health sector to control the spread of the virus. The government of Nepal did not provide any financial supports and assistance to the vulnerable small-scale business holders. However, the government of Nepal announced some policies to reduce the vulnerabilities of the business holders. The government of Nepal asked financial institutions to decrease the interest rates of the loan and extend the due date to pay the interest and loan installment. Local community groups are working together to fight against the situation with the value of co-operation and togetherness. They are helping each other maintain balance and cope up in the situation.

To sum up, this study has outlined the various direct impacts of the Covid-19 in the small-scale business of Butwal Sub-Metropolitan City, Butwal, Nepal. Uncertainty of the business activity is a significant impact. The researcher relates the social theory of microfinance in this study, which discusses small business and their connections to society. Small-scale business holders are facing problems in the operational expenses of the business. The Covid-19 created a disbalance in the supply chain and production and demand chain, directly impacting small-scale business holders. Small-scale business holders were facing challenges because of the closure of the borders, rise in the price of the goods, stocks challenges. Very few customers are seen in the market after the lockdown, and small-scale business holders are experiencing less business activity than earlier. Small-scale business holders face vulnerabilities in economic status because they could not pay the loan, and even the loan for the business is increasing. The Covid-19 pandemic has opened an opportunity for small-scale business holders to run their business with new and modern strategies such as social media publicity, digital marketing, and management.

## 5.2 Recommendations

In this study, the researcher has outlined the major impacts and challenges of Covid-19 to small-scale business holders. All the sectors throughout Nepal are suffering because of Covid-19. Therefore, all governmental and local stakeholders should work together to minimize the impacts of the Covid-19. Small-scale business seems small and conducts less business activity than larger enterprises. However, their number in Nepal is very high, and they contribute more than big enterprises in the whole picture. Therefore, small-scale business holders of the Butwal Sub-Metropolitan City and throughout Nepal should be prioritized by the government of Nepal and local stakeholders to maintain the economic balance of the local and central government.

Similarly, small-scale business holders must take this pandemic as a lesson and hope that the situation will get normal. Co-operation among the small-scale business holders and collective response against the Covid-19 pandemic would be a great idea to deal with the situation. Covid-19 has created several impacts on the small-scale business. At the same time, it has given the opportunities to apply new business strategies such as online/digital marketing, social media publicity, and information technology to reach customers, suppliers, and producers.

### 5.3 Suggestion for new studies

This study is new and among the limited studies about the topic in this area. The researcher has generalized the significant impacts of the Covid-19 to small-scale businesses. This study's findings are based on the fieldwork of February and March 2021. This research is conducted in the very peak time of the Covid-19 throughout the world, especially in Nepal. The researcher of this study suggests new researchers and academicians keep themselves up to date through fieldwork and other works of literature as well. On the other hand, a new researcher on the related topic can contact the researcher of this study for any ideas or discussion.



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## APPENDICES

### Appendix I Information Letter

*Study Title- Impact of Covid-19 in the small-scale businesses of Butwal Sub-Metropolitan City, Butwal, Nepal.*

*Are you interested in taking part in this study?*

This letter is an inquiry about your participation in the title mentioned above. This study aims to sketch out the major impacts and challenges of the Covid-19 to small-scale businesses in Butwal Sub-Metropolitan City. I have mentioned the study purpose and what your participation involves in this letter.

#### **Study Purpose**

The study's purpose is to analyze the impacts of Covid-19 in your business and understand the challenges you are experiencing during this Covid-19 pandemic. The study's primary purpose is to sketch out the major impacts and challenges in this pandemic situation. Moreover, this study will focus on understanding the small-scale business holder's plan and strategies to cope up with this hard situation.

This study will be submitted as the master's thesis to the University of Agder, Global Development and Planning Department. Therefore, your information and experiences related to the title, research questions, and objectives will be used only for this study.

#### **Who is responsible for the study?**

The University of Agder, Kristiansand, Norway, is the institution responsible for this study.

#### **Why are you being asked to participate?**

In this study, 15-20 small-scale business holders from Butwal Sub-Metropolitan City will be enrolled. Participants of age 20 and above will be selected for the study. I have sent you this letter as you are a small-scale business holder and fit into the category.

If you are clear about the purpose of the study and agree to take part in this study, this would involve a personal interview with me. I will send you a list of interview questions, and it will take approximately 40-50 minutes. I will only ask questions related to your business activities. I will record your answers by a recorder and by taking notes during the interview. Your identity will not be recorded in any form.

## **Participation is voluntary**

Your participation in this project is voluntary. You can withdraw your consent of participation at any time of the study without giving a reason. All the information given by you will be anonymous. If you choose to withdraw the consent, there will be no negative consequences.

## **Your privacy – how we will store and use your personal data**

As a researcher, I will only use your personal data as specified in this information letter. All the collected data from you will be processed confidentially and in accordance with data protection legislation (the General Data Protection Regulation and Personal Data Act).

University of Agder and me will be responsible for this study. Only two persons, me and my supervisor, will have access to your personal data.

No identification will be mentioned after the interview. I will code your data immediately after saving it to UiA's OneDrive, which a password will protect. I will encrypt the data before sending it to my supervisor.

## **What will happen to your data at the end of this study?**

The study is scheduled to end on 30.06.2022. After the study is completed, all the personal data will be anonymized and deleted according to the notification of NSD.

## **Your rights**

As I am using your personal data for the study, you have the following rights:

- access the personal data that is being processed about you
- request that your personal data be deleted
- request that incorrect personal data about you is corrected
- receive a copy of your personal data (data portability), and send a complaint to the Data Protection Officer or The Norwegian Data Protection Authority regarding the processing of your personal data

## **I will process your data based on your consent.**



**If you have questions and queries about the study, you can contact to:**

Student/Researcher

Name: Rajendra Ghimire

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Data Protection /controller: Universitetet i Agder/Institutt for global utvikling og samfunnsplanlegging

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NSD – The Norwegian Centre for Research Data AS, by email: [personverntjenester@nsd.no](mailto:personverntjenester@nsd.no)  
or by telephone: +47-55582117.

Yours Sincerely

.....(Sign/Date)

Rajendra Ghimire (Researcher)

**Consent Form**

I understood the mentioned study “Impact of Covid-19 in the small-scale businesses of Butwal Sub-Metropolitan City and have agreed to ask questions. I give consent to participate in a personal interview.

I consent for my personal data to be processed until the project's end date, approx. 30.06.2022.

.....

Sign and Date by Participant

## Appendix II Semi-structured Interview

In this study, “**Impact of COVID-19-19 in small-scale businesses of Butwal Sub-metropolitan city, Butwal, Nepal**”, the researcher asks the participants these questions to find the answers to the study's objectives.

**1. What are the initial impacts of Covid-19 on your business?**

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**2. What are the major challenges to running the business after the covid-19 situation?**

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**3. Was there any preparedness for this kind of pandemic before it happened? If yes, what are they?**

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**4. How about the economic status of your business after the pandemic?**

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**5. How are you managing to pay the operational expenses?**

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**6. Do you have any loans for the business? How are you paying the interest of the loan?**

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**7. How will you compensate for the loss in business because of Covid-19?**

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**8. Is there any pandemic relief plan for your business from the government?**

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**9. What are the alternatives to recover the loss of business?**

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**10. Is your business bankrupted? If yes, are you planning to completely shut down the business or any plan for the recovery?**

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**11. How does the pandemic directly hit the other factors? E.g., Socio-economic, socio-cultural factors.**

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Appendix III Research Timetable  
**Timetable for the research**

S.N.	Topic	Days	Month	Year
1.	<b>Draft literature review</b>	30 Days	January	2021
2.	<b>Obtain necessary permissions</b>	20 Days	February	2021
3.	<b>Create an interview guide (or other methodological tools)</b>	20 Days	February/March	2021
4.	<b>Pilot-test the interview guide</b>	30 days	March	2021
5.	<b>Carrying out the data collection</b>	60 days	February, March, and April	2021
6.	<b>Data analysis</b>	-	May- October	2021
7.	<b>The first draft of the thesis</b>	15 days	November	2021
8.	<b>Thesis submission</b>	-	December	2021