Covid-19’s Negative Impacts on Nepalese Economy with a South Asian Perspective: Strategic Response on Post Pandemic Control

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COVID-19’S NEGATIVE IMPACTS ON NEPALESE ECONOMY WITH A SOUTH ASIAN PERSPECTIVE: STRATEGIC RESPONSE ON POST PANDEMIC CONTROL

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Abstract

The paper investigated and explored experts’ opinions regarding the post-pandemic control strategies within the South Asian perspective to make the Nepalese economy robust. The study was based on qualitative methods of analysis and the method of the study had been classified into two parts: Primary & Secondary. For secondary, data were collected through published reports, journal articles, the daily national newspaper, media, and TV coverage & personal observation, and experience. Whereas, for primary data, the study was carried out considering the way to control the post-pandemic effects on developing economies particularly in Nepal. The result of the study depicted that the post control of covid-19 effects on economic revival policies should prioritize sectorial concerns on the agriculture and industry sector of the economy over service sector and remittance. Therefore, for the pandemic recovery issue, the government and private sector’s role is to jointly solicit a PPP model (Public, Private, Partnership) for the firm relief of economic stability. Thus, the paper concluded that there is an urgent need to prepare the post control strategy to minimize economic vulnerability. In this situation, Nepal needs strategies for good governance rather than a complex and mysterious plan.

Keywords: Covid-19’s; Experts Opinion; Strategy Developing; Economies.
A. Introduction

The Economic slump due to the overwhelming effect of the COVID-19 Pandemic has triggered the need to take safety precautions and secure an environment of an efficient utilization factor of the world economy for it to survive revive and sustain itself as a whole. The global pandemic has forced a new type of recession that is different from its previous forms. The global recession was as bad as the global financial crisis that occurred from 2007 to 2008 (Georgieva, 2020).

Similarly, the Asian debt crisis of 1997 occurred due to the devaluation of Thai Bhat in July 1997. The collapse of the value of Thai Bhat had created a panic that caused a Financial and Economic recession in the Asiatic region (Radelet and Sachs, 1998). Meanwhile, the global financial crisis in the year 2008 – which was ultimately translated to a recession – was caused due to weak Monetary and regulatory policy and structure. (Allen and Carletti, 2019). Likewise, the recession in Greece in 2010 and Nigeria in 2016 emerged due to the cause of deficit balance of payment, fall in the price of crude oil, fixed float exchange rate, structural weakness, etc (Rady, 2012). Meanwhile, the current pandemic has overturned the world economy along with the social structure (Mahar, 2020).

Covid-19, which was first seen in China, Wuhan has eventually, put forward the most critical challenges to the world economy and lifestyle of people (Elliot, 2020; Horowit, 2020). The world is now facing the utmost problems after the Second World War in terms of economic depression (Poudel, 2020).

Meanwhile, severe disruption on lives cost by the coronavirus has not only been destructive, but it has also been a spillover of practical implications that created supply and demand shocks in all parts and structure of the world (Mahar, 2020) and every area of human endeavor (El-Erian, 2020). In the light of this pandemic, like other countries, Nepal has also undergone a nationwide lockdown – imposed on 24th March 2020. To date, the spread of the Corona virus has shattered the supply chain and economy, canceled Visit Nepal 2020, caused a decline in
remittance, sparked unemployment, halted educational and business activities, and boosted poverty.

Since Nepal is a landlocked and least developed country, it is largely dependent on trade with India. Henceforth, the effect of pandemic is inevitable for the country like Nepal as it has affected the entire economy and its variables. But despite the reality, there is dearth of research in Nepalese context noticed by the researcher. So, this study is one of the first to find expert opinion to support a strategic response about post-pandemic control.

Thus, the paper explicitly concentrated on collecting and presenting the real picture of Covid-19’s negative impacts on the Nepalese economy with a South Asian perspective despite the vulnerable circumstances resulted due to the lockdown. Similarly, the paper highlights the experts’ opinions for the strategic move on post-pandemic control mechanism in the Nepalese economy along with the concluding remarks for policy-based response and future implications. Therefore, The result and analysis of this paper are to some extent aimed to contribute to the literature of (Ozili,2020; Jagannathan et al, 2013; Stiglitz, 2010; Bentolila et al 2018) on the implications for a future recovery plan for economic and financial stability during these unprecedented times (UNCTAD, 2020; World Bank, 2020; ADB, 2020).

B. Literature Review

1. Covid-19 and Negative Impacts on Nepalese Economy

Along with the world economy, the Nepalese economy is also facing the severe impact of covid-19 (Poudel, 2020; Koonin,2020; Mckibbin and Fernando,2020). At this onset, it is wise to observe the very remarkable consequences of overwhelmed effects of the pandemic on the lives of people in the world due to the spillover impact of Covid-19, which has been seen mostly in every sector globally (Ranasinghe, 2020; Poudel, 2020).

According to The World Bank’s statement dated June 2020, there is a risk in the South Asian region of a long-lasting rise in poverty: especially amongst the low-income level countries due to the Coronavirus
pandemic. The South Asian region has a high share of workers employed in the informal sectors (Katmandu post, 2020). Amongst those in this region, Nepal will be hit the hardest due to the decline in tourism, remittance, open border issues, poor outer structure, and land-locked disabilities. It is imperative to understand the pandemic’s impacts on the Nepalese economy and explore the ideas about how to robust its economy if once the Covid-19 pandemic is controlled.

The first Covid-19 case in Nepal was seen in January 2020. Since then, the cases have been in increasing trend. The impacts of the Covid-19 pandemic vary from region to region because of its own culture, mechanism, circumstances, infrastructure, health facilities, and capacity to respond to the virus (Poudel, 2020). The impacts of the pandemic are almost seen everywhere and have also been felt by everyone with a relative degree (Kathmandu Post, 2020). To facilitate the daily lives and reactivate economic activities in its country, the Government of Nepal decided to ease the lockdown from 11th June 2020.

As far Nepalese economy is concerned, it is largely dependent on India. Its treaty with India in 1950 marks Nepal as an open border country. In India, it has been estimated that four percent of GDP amounting to the Indian currency of Rs 2100 Million will be lost during the 21 days of lockdown period. Furthermore, more than 100 million workers will lose their jobs in different sectors (Singh, 2020). In the Nepalese context, the major aspects of the economy such as tourism, remittance, retail, and others have been severely affected. The remittance in 2019 contributed a sum of 26 percent to the total national income which has come down to less than one percent in two and half months. Similarly, the whole scale and retail sectors contributed significantly about 14.37 percent to the economy in 2019, but these sectors have experienced heavy loss. There has been some drastic downfall in imports from third world countries whereas, manufacturing outputs have also declined due to lack of demand (Kathmandu Post, 2020). In the present situation, no sector is far from a pandemic outbreak effect (ADB, 2020).
The figure depicts that Nepal had only achieved an average economy growth of about 4 percent until 2015 because of several reasons like political instability, Maoist insurgency, lackluster foreign investment, weak infrastructure, low electricity production, and alike. However, after 2015, the country achieved more than 6 percent of economic growth for the last 3-4 years with a target of 7 percent in 2020-21. But the global pandemic tends to disrupt Nepal’s plans and achievement. In the light of these issues, the data regarding economic losses that will occur in south Asia (including China) due to the spread of covid-19 that was collected from the report ADB is presented hereby.
Asian Development Bank (ADB) has projected that one of the most serious economic loss may occur in Nepal due to pandemic effects. So, based on that, it can be presumed that a decrease in GDP and economic growth is an inevitable one in Nepal due to its landlocked, open border, remittance, and tourism-based economy. For instance:

a. Remittance inflow FY 018/19 stands at Rs. 879.27 billion (25% of GDP) – (NRB, 2019);
b. Remittance consumption after rate 58.2% (after Corona) from 79% (NLSS III 2010/11);
c. Remittance downfall to Rs. 176 billion in FY 019/20 (Projected by CBS, 2020);
d. Nepal Loss of GDP after locked down till two months 62 Rs. Billion (2% of GDP);
e. Nepal’s loss of Revenue collection as of April 198 billion (GON).

As far as a Nepalese economy is concerned, foreign employment has not only been addressing the country’s unemployment issues but has also been contributing significantly to its economy in the form of remittance and foreign currency. However, in the current situation, the spillover impact of Covid-19 on remittance inflow is declining day by day. So, the downturn in remittance has created several impacts on the overall consumption patterns of the people in the country because the world economy is moving towards an uncertain future due to the pandemic effects. Therefore, it is one of the biggest challenging tasks for Nepal’s government.

2. Covid-19 and South Asian Nations

In South Asia, there is a challenge of one of the worst economic situations (in its history) caused by the unprecedented Covid-19 and its rapid contagion. All the sectors are forced to adopt new normalcy. India is reviving partially in its internal economy. Nepal is also at the beginning of a new type of less productive normal situation (Gautam, 2020; Raut, 2020). Pakistan’s experience of its lockdown has not been a solution for its economic opportunities. Bangladesh’s exports and economy are in stagnation. The Maldives has been hard hit by the pandemic and in Sri
Lanka; the pandemic has affected much of the country’s macro-economic situation (Karunathilake, 2020).

Similarly, Afghanistan has faced some major effects of the pandemic on its business and economy as a landlocked country. Comparatively, Bhutan has a comfortable, smooth, and highly relaxed economy than the other countries (ADB, 2020; World Bank, 2020; UN, 2020). For the solution of the impacts of the pandemic on the South Asian economies, banking systems should have effective program to inject investment in productive sectors. Monetary policy of issuing money may work at this crisis in the region. In fact, the banking sector has high feasibility to rebuild the economy of South Asia (ADB, 2020; World Bank, 2020).

**Figure 3: South Asia GDP Growth Forecast**

![Figure 3: South Asia GDP Growth Forecast](image)

**Figure 4: Regional Estimation of Growth in 2020**

![Figure 4: Regional Estimation of Growth in 2020](image)

*Source: World Bank (2020)*
South Asia possesses more than a fifth of the world's population and contributes more than 15 percent to the global economic growth. It has writhed from an extreme case of poverty and inequality, as well as enjoyed major infrastructure and connectivity developments. The recovery depends upon inter-governmental response and preparedness (ASEAN, 2020; ESCAP, 2020; Hussain and Borah, 2020; Shivanandamoorthy, 2020).

In summary, the present scenario in the advent of covid-19 indicates that this virus is gaining the interest of Economic growth prospects, World Banking Scenario, Regional Condition of Financial Institutions’ ‘strength, measures and possible main concern area for the sustainable development and growth of developing economies. This pandemic amidst socio-economic risks and business associated costs. Moreover, emerging economies country like China and India can create a favorable environment of business and long-lasting investment environment in the South Asian region.

C. Method

From the early days of Covid-19, many researchers began to write and publish their findings on the pandemic’s effect on the lives, trades, and economy around the world (Poudel, 2020). The exact economic consequences due to the cause of the ongoing covid-19 pandemic spread are highly difficult to predict but there are clear indications that things will get much worse for developing economics (UNCTAD, 2020; World Bank, 2020; ADB, 2020). In such a situation, being a least developed country, the nation must look for new evidence, do research and develop practically useful methods to enhance its capacity to understand the economic crisis in similar developing economies for the appropriate strategic response. Therefore, this study has mainly focused on how an outbreak of this pandemic has led developing economies like Nepal towards an uncertain future. Likewise, it aims to add to how developing economies of developing countries – including Nepal – will handle the post-pandemic control to survive, revive & sustain their economies.

The study is based on qualitative methods of analysis, which was purely carried out until June 10, 2020. The method of the study has been
classified into two parts: Primary & Secondary. For secondary, data were collected through published reports, journal articles, the daily national newspaper, media and TV coverage & personal observation, and experience. Besides, the data were extracted from these sources to support and validate the research topic. Whereas for primary data, the study was carried out considering the ways to control the post-pandemic effects on developing economies — particularly in Nepal.

The researcher approached about 200 respondents from different backgrounds (Academicians, economists, entrepreneurs, practitioners, and members of Federation of Nepalese Chamber of Commerce and Industry) for the data where 82 experts responded in full capacity. A debate was conducted via video conference (Zoom Meeting) for which respondents were communicated through various networking tools. To elaborate further, the information based on the group discussion via video conferencing is recorded and rectified without bending the expert’s original viewpoints. For future implications, a total of 19 concrete statements were collected with the hope to meet the stated objective of the research.

The lines of reasoning of many experts were found to be similar, and therefore redundant and epitomized. These viewpoints and rationales are representative of all experts who participated and expressed about the current pandemic effects and an economic way out for Nepal in the future. Likewise, all the experts involved in the discussion had believed that the outcome of the discussion will be in line with post control framework. These statements are presented here as based on their opinion in group discussion. These were as follows:

**Expert one:** Government should focus on consumer food, medical assistance, and other essential demands. Therefore, possible actions should be taken to minimize the vulnerable economic situation.

**Expert two:** The government is required to make an effective plan and strategies to ensure people's sovereignty through quality life, health care, social security, and alike to resolve the human catastrophe.
Expert three: Government should focus on managing more medical colleges, hospitals, staff, medical supplies, and equipment to provide quality health services in the country.

Expert four: Once the COVID-19 has been controlled, then government and economic players of the country should need to prepare a recovery plan for smooth economic activities that could fulfill the basic demands of the people of the country.

Expert five: Government should issue bills and bonds as much as possible to raise the required money for immediate needs.

Expert six: The government could utilize its funds like social security, Member of Parliament welfare, foreign employment, welfare, Prime Minister Employment schemes, and funds lying idle at various levels to minimize pandemic effects in a country.

Expert seven: For an increment of labor productivity in the domestic economy, the primary sector is necessary to be mobilized well, so that secondary and territory sectors of the economy can get the opportunity of expansion and resource mobilization. Nepalese government should think strategically to use herbal medicine resources to generate income as Nepal is rich in local herbs and these indigenous resources are providing an immediate trade opportunity.

Expert eight: The country needs to make an immediate action plan to empower youths by transferring technical know-how, research-based knowledge, and entrepreneurship that could bring the Nepalese economy on the right track.

Expert nine: It is high time to pledge the course of economic salvage in and after the pandemic as Nepal’s industry sector needs a mega plan with huge investment in the industry and manufacture sector and help its growth to create opportunities for a large number of employees.

Expert ten: The country needs to give a priority to the use of digital technology that is required to tie together every sector of the economy.

Expert eleven: It is inevitable that for the post control of the pandemic’s effects, economic revival policy needs primary concerns on the agriculture
and industry sector of the economy rather than those that highly depends on the service sector and remittance. A clear-cut economic recovery package will be required to help struggling businesses and workers.

*Expert twelve:* The Nepalese government must pay key attention to reducing import items. Therefore, the government must give a time frame along with necessary supports that ensure Nepal's independence on these things within this time. Therefore, the country should think of substitutes for imports and on local production, the diversified source of economic growth, and poverty reduction.

*Expert thirteen:* An improvement of an economy could be possible by the revival of the tourism business which has many more value chains routed in Nepal. Thus, social trust and broader frameworks are required for this.

*Expert fourteen:* An economic planner should be made with strategic plans on how to get benefits from SAARC, particularly with India & China because of Nepal’s high dependencies upon them as a landlocked country.

*Expert fifteen:* The government should make possible frameworks and strategies for unemployed youths and returning workforce from foreign nations. So, the country should immediately think about the options which involve the areas to be utilized and what is available in the country. Therefore, policymakers must identify their abilities, skills, and interests and then provide them refreshment and training programs to use their effort to robust the economy.

*Expert sixteen:* Capital related to international flights of up to Rs. 40 billion every year is becoming a critical issue caused by a large number of students going abroad to earn a quality education, job, etc.

*Expert seventeen:* Due to the pandemic creating economic issues worldwide, the government should give attention to the integration of global knowledge and change to local knowledge to optimize collective intelligence about the global and regional networks with the local ecosystem. Thus, the country should focus on promoting innovation and entrepreneurship in emerging economies as the basis for sustainable growth.
Expert eighteen: Now the government must pay key attention to self-reliance which is something which other governments have already started adopting and everyone should agree with this too. Hence, for the pandemic recovery, the private and government sector’s role should be to jointly solicit and implement a PPP model for firm economic growth and stability.

Expert nineteen: At last, there is no complex and secretive policy to develop a country like Nepal and to take out the pandemic effects and eliminate poverty. Every local analyst knows this fact. No theory will work amidst corruption, racism, favoritism, and bribery. Jerry Sax writes, “it’s not that mysterious what to do to end a hard situation. We have already known what a practical solution is and it is within our reach. Therefore, the least developed country like Nepal doesn’t need to test again on what that has already been used, but the country needs the development of good governance practice in their system”.

D. Result and Discussion

Based on the focus group discussion, it gives the impression that the ongoing pandemic impacts of covid-19 are gradually increasing in South Asia. So, this study reveals that due to the weak health care system and lack of innovative approach, Nepal lacks the competence to cope with this situation at present and in the future. This observation supports the studies of Khan and Khan (2020), Adhikari (2020), Koirala and Acharya (2020) who revealed that most of the developing countries including Nepal do not have social safety nets as the result of inadequate social-economic infrastructures and ineffective information technologies.

Henceforth, a large share of the vulnerable population of south Asia is forced to bear social inequality due to the lack of access to the social protection system. These findings are similar to the study of Rijal et al. (2020) who reflected that the current unprecedented economic impacts in Nepal require action plans from government and non-government bodies to mitigate pre and post-pandemic losses. Besides, Poudel and Subedi (2020) emphasize that Nepal is largely dependent on India for its economic operation. So, the economic tie-up with neighborhood countries along with
digital technology is necessary to eradicate the increment of the economic and social isolation cost. At this onset, it is necessary to make a strategic blueprint to gain benefit from India considering Nepal’s high dependency over India, open border system, and being an LDC member of SAARC.

Furthermore, this study noticed that the economic health of India has a direct proportionate impact on the economic growth and stability of South Asian Countries including Nepal. To preserve the economy in the crisis. The finding is consistent with the results of (Poudel et al., 2020). Meanwhile, Nepal has temporarily closed its open border with India considering the spread of the virus. This has also affected the export and import of goods and services (Al Jazeera, 2020; The Economic Times, 2020).

Based on the focus group discussion, it appears that the post control of covid-19 effects on economic revival policies should need sector-specific concerns on the agriculture and industry sector over service sector and remittance. This observation justifies the presence of dilemma among Nepalese regarding the further impact of Covid-19 and degree of response and its effectiveness from the concerned authority. According to World Bank (2020), the Nepalese economy could lose 25% of the Gross Domestic Product (GDP) due to this pandemic on an account of being a remittance-based country.

Hence, an increment of labor productivity in the domestic economy could be established concerning national harmony. Besides, it is a critical time to pledge the course of economic salvage after the pandemic as Nepal’s industrial sectors need a strategic plan with sartorial investment for the industry growth to create more employment opportunities. Furthermore, experts emphasize that remittance earned by migrant returnees should be mobilized properly by learning about their knowledge, skills, ability, and interest so that the development of the industrial environment could be engulfed in a formal labor-driven economy.

This finding is similar to the line of the study conducted by (Poudel and Subedi, 2020; Gautam, 2020; Raut, 2020; Koirala and Acharya, 2020). Hence, for a strategic response on post-pandemic control, the government
needs to make a strong policy to empower youth by transferring technical know-how, researchable knowledge, and entrepreneurship in such a way that could be brought the Nepalese economy on the right track.

Based on the expert’s opinion, it is seen that capital related to international flights of up to Rs. 40 billion every year is becoming a critical issue caused by a large number of students going abroad to earn a quality education, job, etc. Therefore, the researcher of this study would like to discuss that the government should focus on quality & skill-based education policy, employment generation, safety, and secured environment, efficient public service, etc., which could reduce the amount of capital outflow in foreign nations. This is well apparent by the discussion of (Phuyal, 2020; Poudel, 2020).

According to experts’ viewpoints, it looks that covid-19 has brought a serious impact on the tourism business in Nepal severely which has much more value chain routed. Thus, the researcher found that online tourism promotion activities can reduce in cost of tourism marketing of different destinations around the globe. So, developing a proper strategy to attract tourists from around the globe and inspiring and initiating local tourism for immediate needs. The finding is well evident (Poudel and Subedi, 2020).

For the pandemic recovery issue, this study has further revealed that the government and private sector’s role is to jointly solicit the PPP model (Public Private Partnership) for the firm relief of economic stability. Going further, the study conducted by Sapkota et al., (2020) exposed that public private relationship is essential for the economic survival and building of basic infrastructure in a country like Nepal. Thus, the government can play a vital role in the capacity building of human resources and intuitions simultaneously.

Similarly, one thing that needs to be understood is that because of contextual differences, corruption is prevalent at a high level and almost all economic levels and their agent are highly politicalized in Nepal. In this situation, Nepal needs strategies for good governance rather than a complex and mysterious plan. In this regard, a strategy for good governance practice in Nepal is a must for making things transparent (Rising Nepal, 2020).
E. Conclusion

There are yet many uncertainties regarding the future of this pandemic. It is imperative to realize the measures to minimize the vulnerability. It is high time to observe and assess the economic slump of 2020. The overwhelming effect of Covid-19 has compelled society to take all the precautionary measures to protect oneself and the environment which can survive, revive, and sustain the Nepalese economy in a long run. Based on the expert’s opinion it could be concluded that the rapid modernization and development and implementation of digital technology should closely be tied up with every sector of the economy. Similarly, for the strategic response on post-pandemic control, it is necessary to revive the major aspect of the Nepalese economy. Hence, revitalizing the underperforming agriculture sector needs to be the priority of the country as two-third of its population are engaged in this sector. Thus, the present study concludes that an effective linkage mechanism between farmers and the market should be enforced to strengthen the capacity of farmers in Nepal.

Moreover, this is the time to understand people’s aspirations in a changing way as the Covid-19 pandemic implication arises as a new threat globally. Therefore, it can be concluded that there is an urgent need to prepare a post control strategy to minimize the economically vulnerable impacts. Based on legitimate viewpoints, this study makes an observation on the pandemic issues on Nepal’s economy based on the response of 82 experts from different backgrounds. So, to round up the overarching proposition of this paper, it should be noted that the limitation of the paper’s preparations was a short period (which was carried out until 10th June 2020) and updates after that have not been been covered. Therefore, a flexible time may be required to cover the different aspects of the pandemic’s impacts. Considering future incidence that will be taking place in Nepal, there could be possibilities of studies in other important affected by the pandemic, which the researcher did not consider in this study.
Besides there is less research on all economic sectors that may pose the government to face the challenge of policy gap to hit demand shock, supply shock, and status quo of market disequilibrium. Thus, future studies on Covid-19 and its impacts in Nepal need to be unfolded so it could be important for future studies to cover and explore its direction. Finally, the paper recommended that South Asian economies can be immunized by adaptive innovation in social and industrial infrastructure and service sectors. At this, health and economic crisis, a comprehensive response framework is required in the government policy to minimize all kinds of vulnerabilities.

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