

The covid-19 pandemic caused vulnerability and survival strategies of star hotels in Nepal

1Prakash Kumar Gautam, Ph.D and 2Prabin Kafle

1 Assistant Professor, Faculty
of Management,
Tribhuvan University
Corresponding
email: prakash.gautam@sd.c.tu.edu.np
<https://orcid.org/0000-0002-2197-3851>

2 Research scholar
prabinkafle@yahoo.com
<https://orcid.org/0000-0003-2319-0858>

Received on: Oct 09, 2022
Revised on : Nov 28, 2022
Accepted on: Dec 04, 2022
Published on: Dec 25, 2022

Cite this paper

Gautam, P.K. & Kafle, P. (2022). The impact of macroeconomic determinants on the banking sector development in Nepal. *The International research Journal of Management Science*, vol. 7 (1), pp.56-73.

Copyright © Prakash Kumar
Gautam and Prabin Kafle

Abstract

The purpose of this study was to examine the vulnerability caused by the COVID-19 pandemic on the overall operations and profitability of star hotels in Nepal and to explore their survival strategies. This study used both qualitative and quantitative approaches based on descriptive research design. The required primary data were collected through questionnaires and interviews with the hotel operators and managers, while the secondary data was from annual reports of sample hotels. For the analysis of qualitative information, thematic analysis was used based on grounded theory. Descriptive statistics were used for analyzing the secondary data. Results revealed an intensely negative effect of the pandemic on one-star and two-star hotels, followed by three-star, four-star, and five-star hotels, respectively. Operations were badly affected, and hence the net profits decreased; the cost of inbound materials increased significantly along with their unavailability. Hotels followed the diversification strategy with cost-focused differentiation. The research identified small but insufficient support from the government for necessary operations. This study provides essential insights to the policymakers, hotel entrepreneurs and readers to fulfill the knowledge gap in the field of study in the last section of the paper.

Keywords: COVID-19 pandemic, star hotels, crisis, hospitality industry, cost-focused leadership strategy

Introduction

In December 2019, the first case of the new coronavirus (COVID-19) was identified in Wuhan, China (Heath, Sommerfield, and Von Ungern-Sternberg, 2020) and declared a pandemic by the World Health Organization. Till the beginning of 2022, the world has faced two major variants, followed by a third variant, the “Omicron” having even more transmission rate than the previous variants (WHO, 2022). The rapid spread of the pandemic around the world in March resulted in a considerable decline in all sorts of economic activity worldwide in operation, supply chain and economic activities (Kuckertz, et al., 2020; Stephan, Zbierowski and Jean, 2020).

In the Nepalese context, the hotel sector was the most affected business sector by the COVID-19 pandemic because of travel restrictions globally. The Nepalese Hotel industry was severely affected by the country-wide lockdown, resulting from significant reduction in a number of domestic and international tourists. It was estimated that more than 80 percent of tourist flow dropped down in 2020 in comparison to 2019 (Shrestha, 2021). This fuelled the substantial retrenchment in the number of employees in the Hotel Industry as the hotels were unable to bear the administrative costs with very less to nil revenue during the first wave and the second wave. In the aggregate market, another major impact of the pandemic was the rise in the prices of the services and supplies, which ultimately increased the cost of production of the hotels.

The pandemic resulted in widespread shutdowns of all forms of activities across all economic sectors, which had not been anticipated. To reduce the spread rate of the pandemic, Nepal government first time imposed lockdowns on 24th March, 2020, restricted domestic and international travel. Because of travel restrictions, all types of travel and tourism activities remained dropped. Travel restrictions were imposed on all tourist destinations and gathering people for marriage and other. This adversely affected the tourism industry in Nepal as the Nepal government has banned all forms of economic activities. It is apparent that there are different effects of pandemic on the profit of the industry and other operations. Many preliminary studies have been conducted around the world assessing the impact of pandemic on net profit, supply chain, cost of supplies, HRM, and strategic moves of the hotel industry.

However, no such empirical studies are found being conducted based on contemporary data of the hotel sector assessing the impacts of the COVID-19 pandemic on the star hotels in Nepal. Therefore, several studies from different corners are necessary to examine the effect of the COVID-19 pandemic on star hotels and explore how they tackled the crisis situation to get rid of the pandemic crisis. Accordingly, such a situation is actually the source of the identification of the problem and the main reason or the motivation for this study. This study has incorporated all three waves of the COVID-19 pandemic in Nepal to examine the pandemic impact on the Nepalese star hotels.

In the case of Nepal, on Jan 2020, a 32-year-old Nepalese student returning from China was tested positive for 2019-nCoV after real-time RT-P (Shrestha et al., 2020). From the month of May 2020, the number of new infection cases started increasing. The first wave of COVID-19 pandemic reached its peak in the month of October 2020. The second wave of the pandemic reached its peak in the month of May 2021. Nepal faces a significant challenge in achieving the targeted growth rate due to the adverse effects of pandemic on the economy (World Bank, 2022). After the first wave of pandemic beginning march 2020 and the second wave beginning April 2021, the economic growth rate was estimated at only 1.8 % in FY21 and 3.9 % in FY22. The poverty was expected to increase due to the pandemic. The GDP of Nepal

contracted by 2.1 % in FY20 after pandemic. Due to decrease in number of tourist's arrival by more than 90 % in FY21 due to the pandemic, the hotel industry has faced irrecoverable losses. The six months of lockdown beginning March 2020, one fourth of total workforce of Nepal reported permanent job losses while about 19 % didn't earn during the four months of lockdown (The World Bank, 2020). This indicates that there has been adverse effects of the pandemic on the national economy and the hospitality industry being one of the most severely affected. The hotel sector did not remain unaffected, among them the star hotels could be the biggest suffer.

The government increased the basic salary of government employees, and the living cost has increased significantly; hotels were to address the expectation of their employees. The fixed costs were unchanged, and there was continuous hike in operating expenses. This situation cumulated the pressure on existing management to increase the profitability margin despite of the pandemic. In this context, the study aims to assess the survival strategies of star hotels in Nepal.

Literature Review

Impact of the COVID-19 pandemic on global economy. Generally, crisis have a negative and severe impact on the economy as a whole. The COVID-19 pandemic affected individuals and communities all over the world along with a long-term influence on the global economy and trade (Akbulaev, Mammadov & Aliyev, 2020; Zenker and Kock, 2020). The severity of the economic impact is not still assessed as many sectors in the big economies are still trying to bounce back the effects. It is claimed that the disease, or supposed pandemic, has a huge influence on the global economy's supply side, while current solutions are mostly focused on the demand side (Maital, & Barzani, 2020). The pandemic has had a significant negative impact on worldwide economic growth and development (Abodunrin, Oloye & Adesola, 2020) though some of the actions have been taken to prevent the further loss. The countries hit most severely by the pandemic is USA, India and Brazil followed by UK, France, Russia and Turkey (worldometers. info, 2022) and the economy of the developing and underdeveloped countries like Nepal have no choice to remain isolated.

With the progression of the COVID-19 pandemic, almost all countries started restrictions on their borders crossing as part of national emergency responses (ILO, 2020) which affected in job creation and supply chain relation problems. The World Bank (2020) projected that it cannot be expected a recovery in global economy because of the decrease in remittances, trade, tourism as well as in services and industrial production till the Fiscal Year 2022. Asian Development Bank's (ADB) projected a further contract in macroeconomic factors in Nepal with an estimated losses in constant prices could vary from MN 8555.1 NPR to NPR MN 16950 with the most affected sectors being industry, services and agriculture (ILO,2021).

Effect of the COVID-19 pandemic on the hotel industry. Hotel sector is affected in almost every difficult situations for example SARS pandemic (Chien & Law, 2003), financial crisis (Alonso-Almeida & Bremser, 2013), War and terrorism (Currie, Skare, Loncar & de Mallorca, 2004), and Ebola pandemic (Novelli, Burgess, Jones & Ritchie, 2018) which trend also reflected in the COVID-19 pandemic.

Sotiris and Theodore (2020) recognized the tourism as "the great patient of the COVID-19 pandemic" since the Airlines and hotel businesses were the most severely affected by the pandemic. The COVID-19 pandemic affected accommodation preferences that tourists prefer to rent a house than to book a hotel

room and the importance of health protection and safety are growing as well as the perceived quality of services provided by hotels (Pappas and Glyptou, 2021) questioning a quick recovery in the hotel operation and profitability.

Salem, Elkhwesky, and Ramkissoon (2021) revealed that the pandemic had a devastating impact on the hotel business globally (Gossling et al. 2020). In Nepalese context, the hotels, which are among the worst-affected by the COVID-19 pandemic, faced daily losses of NRs 1.80 billion (Himalayan times, 2021). Though the economic activities in the country have been restarted, the hotel industry is struggling to recover because most star-rated hotels are still partially closed, and some have even shut down operations till the end of 2021. The COVID-19 pandemic affected the hotels in different ways like massive impact in supply networks due to rapid spikes in demand and reductions in production capacity (Ivanov & Dolgui, 2020) and supply chain disruptions (Fortune, 2020; Gunessee & Subramanian, 2020) specially for acquiring the imported food product (Aigbedo 2021;Tellioglu, 2021).

Dimensions of the COVID-19 pandemic effects. Hotels performed different practices in price setting with aggregate demand stabilization policies to minimize the COVID-19 pandemic effects (Balleer, Link, Menkhoff & Zorn, 2020; Shapiro, 2020). The COVID-19 pandemic had a substantial impact on Nigerian firms' liquidity and profitability (Amnim, Aipma, & Fabian, 2021). The majority of financially distressed businesses experienced solvency issues, with total assets inadequate to cover all obligations (Crespí-Cladera, Martín-Oliver & Pascual-Fuster, 2021).

Human resource management (HRM) practice in the hospitality sector is significant (Kloutsiniotis & Mihail, 2020; Fana, Pérez, & Fernández-Macías, 2020) as HRM practices in the hospitality industry are linked to service-recovery performance, employee empowerment (Hewagama et al., 2019), affective commitment (Teo et al., 2020), and lower intents to leave (Karatepe, 2013). The COVID-19 pandemic created adverse effect on employment across the world; hotels cut employee compensation, lay off workers, and established work-from-home policies (Jasmine, 2019). Vardarler (2016) suggests changing compensation, restructuring hours of work, and foregoing incentive and reward payments to prevent firing staff during a crisis. Furthermore, emergency protocols, cleanliness and sanitation measures, and employee health screening remain crucial for hotels to address infectious disease crises (Henderson and Ng, 2004) because of the COVID-19 pandemic.

Best practices in hotels during pandemic. Five

star hotels successfully managed health protocols and practices like implementing the best cleanliness standards and disinfection rules, installing new cleaning technologies, providing employees with training on new cleanliness standards, infection prevention, and safety procedures (Salem, Elkhwesky & Ramkissoon, 2021). As survival strategies Vietnamese hotels offered paid quarantine guests which created double benefits i.e., revenue generation and corporate social responsibility initiatives for reducing the ill effects of pandemic (Hoang, Truong & Nguyen, 2021). To reduce the negative economic effects, improving employee morale, reduce pressure on government and hospitals and provide quality hospitality service during pandemic, hotels offered discounts and competitive prices services for their customers. Maintaining customer engagement during the pandemic and enhancing competitive advantages after the pandemic by communicating with customers during the crisis period, offering promotions, and introducing a paid quarantine service seems to be an appropriate way to maintain customer engagement and enhance competitive advantages (Gossling et al. 2020; Hoang, Truong & Nguyen, 2021).

Methodology

To attain the specified purpose of this study followed the descriptive research design with adapting both qualitative and quantitative approaches as suggested by (Terzidou, Styliadis, & Szivas, 2008). Different star-hotels operating in Nepal during the pandemic period were chosen as the unit of analysis. Managers/operators of sample hotels were respondents for this study. This study assessed the impact of the COVID-19 pandemic on various indispensable component of hotel business i.e., cost of supplies, human resource management, supply chain, net profit and strategic actions taken thereof.

Since the role of star hotels in tourism development is significant, the corresponding research findings of star hotels can represent the overall hotel industry (Hsaio, 2018). The updated data received from the department of Tourism is considered as the population for this study. Accordingly, 161 hotels are considered as population for this study. From the aforesaid population, the sample size of this study is 20 (12.45%) based on the stratified random sampling method. The population was divided into strata on the basis of star category they belong, i.e.; they were clustered into five-star, four-star, three-star, two-star and one-star. Then, a random selection of the star hotels was made.

Besides other required supplementary data, main information regarding the study objectives were collected through questionnaires and semi-structured interviews with the hotel manager. The primary data was collected by questionnaire survey with the hotel managers and operators, interviews and telephonic conversations, where physical interview was not possible. A five-point Likert scale statements were provided to the respondents for supplement the qualitative informations gathered through telephonic interviews. The secondary data were obtained via company's audited financials, annual reports, research publication, published website, journals, and government websites.

The qualitative data were analyzed via content analysis with the help of online based word cloud software. Word frequency of the coined words were calculated in the transcribed data source to prepare codes. Based on the grounded theory, open codes were developed first and then the axial codes were developed to prepare the category of the codes. Finally, by connecting the axial codes, thematic areas were developed to identify major areas of influences by the Covid-19 pandemic and strategic orientation of the sample hotels to cope with the effects.

For the quantitative data analysis, we used Advanced MS-Excel operations. Furthermore, descriptive statistics have been used for the computation and analysis of quantitative data.

Results and Discussion

Demographic composition of respondents. Though only 20 (12.45% of the population) hotels were included in the study, the sample organizations had different clusters based on the different bases like gender of the manager/operator, academic qualification of manager/operator, age of manager/operator, and the star level of the sample hotel (see table 1). Among the sample hotels, 5 hotels with five-star level (out of 16), 3 hotels with four-star (out of 14), 4 hotels with three-star, 5 hotels with two-star, and 3 hotels with one-star operating in Kathmandu.

Table 1. Demographic information of respondent

Respondents composition		n	%
Gender	Male	16	80
	Female	4	20
Academic qualification	School level	2	10
	Bachelor (under graduate)	4	20
	Master (graduate)	14	70
	Above Master	2	10
Age composition	Below 30 Yrs.	3	15
	30 - 45 Years	12	60
	45 - 60 Yrs.	3	15
	Above 60 Yrs.	2	10
Hotel category	1-star	3	15
	2-star	5	25
	3-star	4	20
	4-star	3	15
	5-star	5	25

Similarly, a majority (80%) respondents were male indicating that the majority hotels employed male for the highest positions. Regarding the academic qualification, majority (70%) highest position holders have master degree (graduation level). Sample hotels have majority of young (30 - 45 Yrs.) manager/ operator in the highest position benefiting the demographic dividend Nepal, is currently reaping the benefits for organizational performance.

Assessment of the impact of COVID-19 pandemic on supply chain. During the first wave of the COVID-19 pandemic, the whole world was unprepared so it was a complete shock to all the business entities and hence to the hotel industry. So, hotels were not prepared for any strategic actions to cope up with the effect of the pandemic. Most of the beds were booked as Nepal was celebrating 'Visit Nepal Year 2020'. Having no concrete information and guidelines, hotels kept their bookings open despite of the lockdown. To make the supply chain effective to the extent possible, hotels considered the option of minimal inventory model i.e.; they ordered only the required items to meet the necessity of operation. Economic Order Quantity (EOQ) and Just in Time (JIT) purchasing were followed by the hotels. This helped them to reduce the inventory holding cost.

The impact of the COVID-19 pandemic on the supply chain was analyzed by collecting the data using Likert scale prepared with the general understanding of researchers and review of literatures. The

components of supply chain are procurement, distribution, inventory, operations and miscellaneous were considered. Each component has four statements on which 20 managers provided their agreement or disagreement using the response scale.

Table 2: Difficulty in obtaining the inward supplies

	N	Min	Max	Mean	Std. Dev.
There is difficulty in obtaining the inward supply of day to day cleaning, housekeeping and maintenance services.	20	1	4	2.90	0.788

In the procurement component i.e., inward supplies (see table 2) the COVID-19 pandemic had the maximum impact on procurement of perishable raw materials like agro products to be used in food preparation and dishes in hotel. It was due to lockdown caused close down of businesses of local vendors who used to supply such goods to the hotels. The second most difficulty that the hotels faces was in obtaining the non-perishable food and beverages due to lack in obtaining the linens and other soft goods as they were in stock in most hotels and there was no shortage of such items in the market. Surprisingly, there was no any difficulty in obtaining the inward supply of day to day cleaning, housekeeping and maintenance services because of large scale stocks.

Table 3: Decrease in outward supply, demand and activities

	N	Min	Max	Mean	Std. Dev.
There is difficulty in supply of food and beverages items to customers due to restrictions in operation of hotel during lockdown.	20	1	5	4.25	1.019
There is a significant decrease in the demand for catering and banquet due to the limit in gathering of people.	20	1	5	4.40	1.105
There is a significant decrease in the activities relating to bar and recreational activities due to pandemic.	20	4	5	4.75	0.444
There is a significant decrease in the demand for events and conferences due to the pandemic.	20	2	5	4.20	0.951

Similarly, a majority (80%) respondents were male indicating that the majority hotels employed male for the highest positions. Regarding the academic qualification, majority (70%) highest position holders have master degree (graduation level). Sample hotels have majority of young (30 - 45 Yrs.) manager/ operator in the highest position benefiting the demographic dividend Nepal, is currently reaping the benefits for organizational performance.

Assessment of the impact of COVID-19 pandemic on supply chain. During the first wave of the COVID-19 pandemic, the whole world was unprepared so it was a complete shock to all the business entities and hence to the hotel industry. So, hotels were not prepared for any strategic actions to cope up with the effect of the pandemic. Most of the beds were booked as Nepal was celebrating ‘Visit Nepal Year 2020’. Having no concrete information and guidelines, hotels kept their bookings open despite of the lockdown. To make the supply chain effective to the extent possible, hotels considered the option of minimal inventory model i.e.; they ordered only the required items to meet the necessity of operation. Economic Order Quantity (EOQ) and Just in Time (JIT) purchasing were followed by the hotels. This helped them to reduce the inventory holding cost.

The impact of the COVID-19 pandemic on the supply chain was analyzed by collecting the data using Likert scale prepared with the general understanding of researchers and review of literatures. The

Table 4: Effect on inventory turnover and inventory holding cost

	Min	Max	Mean	Std. Dev.
There is a decrease in inventory turnover of the pre-packaged food items due to the pandemic.	20	4	5	4.35 0.489
There is a decrease in inventory turnover of the beverages and soft drinks due to the pandemic.	20	3	5	4.40 0.598
There is a significant amount of perishable goods that accounts for wastage and increased cost.	20	1	5	2.35 0.875
There is a significant increase in the inventory holding cost per item.	20	1	4	2.15 0.875

In the inventory component, all managers either strongly agreed or agreed that there was a decrease in inventory turnover of the beverages and soft drinks due to the pandemic (see table 4). Similarly, the hotels suffered by decreasing in inventory turnover of pre-packaged food item. While, hotels maintained the cost of wastage of perishable goods and inventory holding cost per items

Table 5: Impact on operations component

	Min	Max	Mean	Std. Dev.	
There is a significant reduction in the average room occupancy during the pandemic.	20	4	5	4.80	0.41
Variable demand of the hotel industry during the pandemic makes it difficult to have a uniformity in the SCM processes.	20	4	5	4.30	0.47
There is significant reduced in customer satisfaction levels due to pandemic.	20	4	5	4.50	0.513
There is a significant increase in working capital financing due to the pandemic.	20	4	5	4.55	0.51

In the operations component (see table 5), managers opined that the pandemic has most severely impacted the average room occupancy. Besides, there was significant increase in working capital financing due to the pandemic. In the manager's perception, variable demand of the hotel industry during the pandemic made it difficult to have a uniformity in the SCM processes. Pandemic significantly reduced in customer satisfaction level.

Table 6: Impact of pandemic on miscellaneous components

	Min	Max	Mean	Std. Dev.	
The pandemic has disrupted the existing supply chain.	20	3	5	4.40	0.754
The pandemic has resulted in the formation of new players in the supply chain management ecosystem.	20	1	5	3.10	1.209
There is an increase in the overall cost of supplies due to the pandemic.	20	1	5	4.05	1.461
The pandemic has provided opportunities for growth through digital and autonomous supply chains.	20	1	5	4.00	0.917

Managers perceived that the pandemic had disrupted the existing supply chain (see table 6). There was an increase in the overall cost of inward supplies. The mean of 3.1 suggests that they were neutral about whether the pandemic had resulted in the formation of new players in the industry. Most importantly, managers/operators agreed that the pandemic provided the opportunity of digital optimization and creating autonomous supply chain.

Assessment of impact of pandemic on the cost of supplies. In general, it was noticed that the cost of inward supplies grew while the price of outward supplies of goods and services declined. The cost of raw materials has risen across all categories of star hotels. The cost of inward supplies fluctuated often, making it impossible to regulate food costs for the hotels. Dairy, vegetables, agro goods, and other commodities had all grown in price. However, many hotels in the four star and five star categories had made earlier arrangements, thus the rise in inward supply of materials had less impact on them.

Assessment of impact of the COVID -19 pandemic on human resources management. Due to declining business, hotels started downsizing the number of employees with a number of practices like retained experienced and most needy staffs on cyclical rotation basis work, gave volunteer retirement scheme (VRS), and leave without pay options. Some hotels paid reduced salary while others could afford only the minimum salary as per Hotel Association Nepal (HAN), an umbrella organization of all hotels. So, a large number of employees working in hotels became jobless for short or long term. Employees, both being jobless and on the job have great confusion, fear and stress of pandemic. To relieve them from such a panic situation, hotels organized different programs like learning, motivation, relief programs in few top star hotels.

Assessment of price fluctuation during the pandemic. During the year ending 31st Asar 2077 BS (mid July 2020), the average price of dinner package decreased by 18 %, 11 % and 11 % for one star, two star and three star hotels respectively. However, four star and five star hotels reduced the price by only 5%. It was observed that four star and five star hotels offered very less discounts, and some hotels of this category kept their prices of dinner package constant. For year ending 2078 BS (mid July, 2021), all hotels were able to increase the price of supplies to previous normal level. All of the hotels increased the average price of food by less than 10 %. There were however some hotels which kept their prices constant in first as well second year of the pandemic. Besides price of the dinner package, average room rate was also considered which showed results similar to dinner package.

Assessment of effect of the COVID-19 pandemic on net profits. Profitability of the business is a key aspect in determining the sustainability and going concern assumption of the businesses. The pandemic hit the revenue as well as the net profit of the hotels severely, analyzed as follows:

- **Change in average revenue.** During the first lockdown, the revenue decreased significantly in all categories of star hotels. The most severely affected were one star and two star hotels. The revenue of one star and two star hotels decreased by more than 70% in average as compared to the previous year. However, in three star and above category, the average decrease in revenue was below 50 %. It was surprising to see that for the year ending 2078 BS (mid July, 2021), the revenue growth of one star and two star hotels was much higher (> 80%) compared to others. Three star hotels increased their revenue only by 13%. The study had a rather astonishing finding that the four star and five star hotels couldn't increase their revenue during the second wave of pandemic. Their revenue growth rate was rather negative (about 50%).

- **Assessment on salary payment schemes during the pandemic.** As a cost cutting measure from operating loss, hotels across all category had to opt for reduction in salary of the staffs. Salary cuts during year of first wave of pandemic across all categories of star hotels averaged 63 %. For one star, two star, three star, four star and five star hotels, the salary cuts were 80 %, 74%, 78%, 43% and 41 % respectively. The most severe salary cuts was revealed in one star and two star hotels. For the year ending 2078 BS (mid July 2021), the average salary cuts decreased to 50 % in all category of hotels. The same pattern of salary cuts is followed in the second year too. The hotels who were severely affected provided the minimum salary prescribed in the HAN Agreement. Regarding relief packages and medical expenses provided to the employees; few hotels borne the cost of premium of corona insurance of policy amount of NRs. 100,000 of its staffs in three star and above category. Hotels also provided the employees with free PCR test of the COVID-19 pandemic. There was an agreement between HAN and employee trade unions regarding the minimum wages that the hotel should provide to its employees during the pandemic. During the pandemic, it was observed that the workers had to work in shifts. The minimum salary was offered to the employees which couldn't attend the duty too. However, it was not given to daily wage workers, part time worker, and outsourced workers. Trainee, casual and utility worker were not allowed to work during the period.
- **Change in average expenditure.** During the first wave of pandemic, the reduction in the expenditure was more or less proportionately to the reduction in revenue. There was no certain pattern of reduction in expenditure on the basis of star categorization. Hotels with efficient management were able to reduce the expenditure by adopting cost control and cost reduction measures across all category of hotels. However, within these categories too, some hotels were better controlling the expenses as compared to others. Till the year ended 2077 (mid July, 2020), one star, two star, three star, four star and five star had reduced their expenses by 64%, 59%, 38%, 23% and 38% respectively. Till the year ending 2078 (mid July, 2021), the expenses were increased by 74% and 76% in one and two star hotels whereas it was decreased by 10%, 21% and 37% in three star, four star and five star hotels respectively.
- **Change in average net profitability.** The net profitability of one star and two star hotels have been most severely affected by the pandemic. Their net profit has shrunk by about 90% which shows the severity of impact of the COVID-19 pandemic in the profitability. Similarly, the net profit of three star, four star and five star hotels have decreased by 81%, 60% and 66% respectively during the period. Since the net profit had decreased more sharply in comparison to the revenue reduction, we can say that hotels across all category were unable to reduce operating cost proportionately during the first wave of pandemic. However, for the year ending 2078 BS (mid July, 2021) one star, two star and three star hotels reaped an increase in profitability by 174%, 162% and 80% respectively. However, for four star and five star hotels, the profitability decreased by 31% and 151 % respectively in the same period.

Strategic moves of hotels during the COVID-19 pandemic. The various responses received from qualitative data were analyzed with thematic analysis using Word Cloud. To cope with the negative effect of the pandemic, hotels took different strategic moves in supply chain management, pricing strategy and cost of supplies, salary and payments schemes, and loan payment and concession on rent payable.

- **Strategic move for supply chain management.** Supply chain of hotels irrespective of their level, was disrupted during the pandemic. To cope with this challenge, hotels found that they have developed the new local suppliers offering flexible credit and payment terms (see figure 1). Hotels concentrated on cash purchase to reduce the cost of supplies. They focused on reducing the stock holding cost by keeping very low inventory level. In most hotels, the cost of inward supply of materials increased. But, price of outward supply remained almost same. In most of the cases, hotels had to offer discount to cope up with the customer's bargain. Some top hotels took extra efforts not to reduce the quality of services they offered. Also the price of outward supplies was decreased to attract customers. The credit term was deferred and revised, vendors were changed as per the gravity of the situation and cash payments were preferred for easy access of materials.
- **Strategic move regarding human resources management.** Many hotels provided minimum salary as per agreement between HAN and three Central Trade Unions (CTU) (see figure 2). Daily wages given in case of events conducted in the hotel. Downsizing of the number of staffs along with severe cut in their monthly salary was done in most of the hotels. However, all the employees on duty got reduced salary every month. Permanent layoff, temporary layoff, contractual layoff with future priority, ban in outsourced and trainee employees, and offer of VRS were the various HRM related strategic moves during the pandemic.
- **Strategic move for maintaining net profit.** With decrease in revenue, the profitability was adversely affected. So, hotels adopted cost cutting measures wherever was possible (see figure 3). Several measures like employee retrenchment, salary reduction, low cost strategy, and cost control were done for cost reduction. Many hotels followed retrenchment strategy with shut down bar, restaurant, and halls to prevent additional fixed costing.
- **Strategic moves regarding loan repayment and rent payable (see figure 4).** Hotels reported that they suffered difficult to the hotels in payment of loan instalments. Some hotels defaulted in repayment of loan instalments. A few top starred hotels opted for repayment and rescheduling of the loan with the assistance of Nepal Government through Nepal Rastra Bank. It was very difficult for one star and two star hotels to fulfil the timely loan obligations.
- **Government supports packages for pandemic relief (see figure 5).** Nepal government from federal, provincial and local level initiated different relief programs to the hotels, though very late. Many managers wished for extension of the relief given by government to cope up with long term effects of the COVID-19 pandemic. Hotels availed discount on electricity charges, property taxes etc. Banks and Financial Institutions (BFI) provided rescheduling option on loans. Contribution to social security fund (SSF) of 3 months was supported by the government. Discount was given by government on TDS on rent payable. KUKL also provided discount in water charges. Some hotels availed business tax rebate. However, there were many hotels who did not have knowledge of such reliefs provided the

government since operation completed halted during the lockdown. Governments need to provide subsidy to the hotel industry. Due dates to be extended for some time. Government should provide vaccine to all and the limit in the gathering should be removed. Some opined that government should not force to closedown of business.

- Opportunities from the pandemic.** Many used their hotels as a quarantine center for isolation of domestic guests returning from foreign (see figure 7). The pandemic provided opportunity for renovation, repair and maintenance of the hotels. Some hotels engaged in planned maintenance of different equipment used in the hotel. Few hotels focused on training their staffs. Staffs got time to engage in personal development and learning. There was an increase of awareness in hygiene, cleanliness and sanitation due to the pandemic. Some hotels of four-star and five-star category focused on digitization, takeaway, in-house logistics, multiplicity of vendors, etc. to ease the supply chain.



Figure 1: Strategic actions for supply chain management



Figure 2 : Strategic actions taken in HRM



Figure 3 : Strategic actions taken for maintaining net profit



Figure 4 : Strategic actions for loan repayment



Figure 5 : Relief fund from governments



Figure 6 : Expectations from government



Figure 6 : Opportunities from the pandemic



Figure 8 : Future of hotel industry

- **Future expectation in hotel industry.** Managers opined that it will be difficult for next one or two years but eventually the tourism and hotel sectors will revive (see figure 8). Many of them are hopeful of breakeven in one year of normal situation after pandemic and revival in few years. For golden time for hotels, tourism needs to be flourished. Hotel business should be redefined, refocused and changed the game plan to move forward. Government should develop tourism destinations, policies and programs with holistic approach.

The analysis of three previous epidemics has helped us to confirm that they have diverse impact on the hotel industry (Kim et al., 2020). It is observed that the star hotels require adequate moral support and financial assistance from the governments to restore their confidence which can help them to overcome the financial complications that hotel businesses face during such crisis. During the COVID-19 pandemic, there were relief provided by the government but those reliefs were very few and nominal from the government.

Pandemic caused a heavy loss in jobs in the hotel sector in Nepal as reported by Sun, Sarfraz, Khawaja, Ozturk, Raza (2022) and Ulak (2020). The COVID-19 pandemic caused heavy impact on hotel room cancellations. Among different categories of hotels in Nepal, one star and two star hotels were suffered the most among other categories. Besides the booking cancellation, hotels suffered critically in terms of staffs management, supply chain management, and financial management. Star hotels of all categories were forced to reduce salary of staffs as well as massive employee layoff as a cost-cutting tactic and as a result of operational losses. The salary reductions in all categories of star hotels averaged 63 percent during the first wave of the pandemic. Besides, the hotel room cancellations were major factor for increasing the vulnerability of Star hotels during the pandemic in profitability as reported by Ncube et al. (2021).

Conclusion

Among the star category hotels, one-star and two-star hotels were the most severely affected by the pandemic, followed by three-star, four-star and five-star hotels. The supply chain was disrupted desperately. The operations and distribution components of the supply chain were most severely affected by the COVID-19 pandemic because of the lockdown. The cost of the inward supply of materials increased, but price of the outward supply remained almost the same or even decreased to attract the price-sensitive buyers. To maintain the cost of operation and profitability, hotels practiced downsizing the staff in turns of number and salary. The government and the umbrella organization HAN provided several survival programs to hotels. The pandemic created few opportunities also - the time for repair and innovation, health and sanitation, research and learning, uses as quarantine center for profit, and diversification.

In conclusion, the COVID-19 pandemic affected all levels of star hotels in terms of the supply chain, cost of supplies, human resources management and net profit; among them, one-star and two-star hotels suffered the hardest. To cope with such effects, hotels formulated different strategies based on the COVID wave although strategies were partially effective. Supports from the government and HAN were positive for hotels' survival though the supports were insufficient compared to the intensity of loss.

Implications

Implication to academic community. The researchers are unaware of any such studies relating to effect of the COVID-19 Pandemic on Nepalese star hotels till the time of completing the this study. So, this study

supports any other researchers of its type that intends to investigate research questions that intends to describe the overall phenomenon related to the COVID-19 pandemic. This study has focused in almost all the dimensions of pandemic effects like on profit, cost of operations, supply chain, human resource management and strategic actions of Nepalese star hotels which will be foundation for any other studies. Implication to policy makers. This study not only helps to assess the impact of pandemic on star hotels but also helps the policymakers i.e., government officials, and HAN management and star hotel stakeholders to frame appropriate strategic policies to cope up with the pandemic. One thing to note is that while developing and implementing relief measures, it is critical to consider the challenges encountered by star hotels. Even after the COVID- 19 crisis has passed, hotels may still be vulnerable to collapse due to inefficiency in management. As a result, government might provide assistance by establishing training programs that enable star hotels to accurately analyse the impacts of pandemic on their businesses and frame appropriate policies to help them re-launch, recover and revive their operations.

An important recommendation to the policymakers in the government would be that it should introspect the lockdown decisions it took in the prospect of whether the lockdown was effective in containing the coronavirus. Besides, the policymakers must be flexible in tourism protocols relating to Covid -19.

Implication to Nepalese Star Hotels. It was observed during the study that some hotels were better than others in managing the available resources and utilizing opportunities available. Hotels across all categories should now focus on benchmarking the best industry practices and try to bridge the gap between the best practices and their own practices. The hotels now need to adapt themselves according to the “new normal” and be prepared for the worst possible circumstances. Based on the findings of this study, hotels ought to develop a strict contingency plan to tackle the crisis like the COVID-19 pandemic.

References

- Abodunrin, O., Oloye, G., & Adesola, B. (2020). Coronavirus pandemic and its implication on global economy. *International Journal of Arts, Languages and Business Studies*, 4, 13-23.
- Aigbedo, H. (2021). Impact of COVID-19 on the hospitality industry: A supply chain resilience perspective. *International Journal of Hospitality Management*, 98 (103012), 1-10.
- Akbulaev, N., Mammadov, I., & Aliyev, V. (2020). Economic impact of COVID-19. *Sylwan*, 164(5), 113-126.
- Alonso-Almeida, M. D., & Bremser, K. (2013). Strategic responses of the Spanish hospitality sector to the financial crisis. *International Journal of Hospitality Management*, 32, 141-148.
- Amnim, O. E. L., Aipma, O. P. C., & Obiora Fabian, C. (2021). Impact of COVID-19 pandemic on liquidity and profitability of firms in Nigeria. *Social Sciences*, 11(3), 1331-1344.
- Balleer, A., Link, S., Menkhoff, M., & Zorn, P. (2020). Demand or supply? Price adjustment during the COVID-19 pandemic. *IZA – Institute of Labor Economics*, 13568, 1-35.
- Basnyat, S., & Sharma S. (2021). Effects of COVID-19 crisis on small and medium-sized hotel operators: insights from Nepal. *Anatolia*, 32(1), 106-120, doi: 10.1080/13032917.2021.1879184
- Bhattarai, N. (2019). Hotels in Nepal: The new wave. Retrieved from <https://www.newbusinessage.com/MagazineArticles/view/2511>.
- Blahova, M., & Knapkova, A. (2011). Effective strategic action: From formulation to implementation. *Economics, Business and Management*, 2, 61-65.
- Carrie, W. (2018). Research methods. *Cambridge Handbook of Social Problems* 1, 23–38. <https://doi.org/10.1017/9781108656184.003>

- Chien, G. C., & Law, R. (2003). The impact of the Severe Acute Respiratory Syndrome on hotels: a case study of Hong Kong. *International journal of hospitality management*, 22(3), 327-332.
- Crespí-Cladera, R., Martín-Oliver, A., & Pascual-Fuster, B. (2021). Financial distress in the hospitality industry during the COVID-19 disaster. *Tourism Management*, 85, 104301. doi: 10.1016/j.tourman.2021.104301
- Currie, D. M., Skare, M., Loncar, J., & de Mallorca, P. (2004). The impact of war on tourism: the case of Croatia *Conference on Tourism Economics, Palma de Mallorca*. December 12, 2020, from World Travel and Tourism Council website: <https://wtcc>.
- Fana, M., Pérez, S. T., & Fernández-Macías, E. (2020). Employment impact of COVID-19 crisis: from short term effects to long terms prospects. *Journal of Industrial and Business Economics*, 47(3), 391-410.
- Fortune (2020). 94% of the Fortune 1000 are seeing coronavirus supply chain disruptions. *Report*. New York: Fortune.
- Gossling, S., Scott, D., Hall, C. M., Gossling, S., Scott, D., & Pandemics, C. M. H. (2020). Pandemics, tourism and global change: a rapid assessment of COVID-19. *Journal of Sustainable Tourism*, 29(1), 1–20.
- Gunessee, S., & Subramanian, N. (2020). Ambiguity and its coping mechanisms in supply chains lessons from the COVID-19 pandemic and natural disasters. *International Journal of Operations and production management*, 40 (7/8), 1201-1223.
- Heath, C., Sommerfield, A., & von Ungern-Sternberg, B. S. (2020). Resilience strategies to manage psychological distress among healthcare workers during the COVID-19 pandemic: a narrative review. *Anaesthesia*, 70(10), 1364-1371. doi:10.1111/anae.15180
- Henderson, J. C., & Ng, A. (2004). Responding to crisis: Severe acute respiratory syndrome (SARS) and hotels in Singapore. *International Journal of Tourism Research*, 6(6), 411–419. doi: 10.1002/jtr.505
- Hewagama, G., Boxall, P., Cheung, G., & Hutchison, A. (2019). Service recovery through empowerment? HRM, employee performance and job satisfaction in hotels. *International Journal of Hospitality Management*, 81,159-168.
- Himalayan times (2021). Retrieved from <https://thehimalayantimes.com/business/hotels-losing-rs-180-billion-daily-due-to-COVID-19-pandemic>.
- Hoang, T.G., Truong, N.T., & Nguyen, T.M. (2021). The survival of hotels during the COVID-19 pandemic: a critical case study in Vietnam. *Service Business*, 15, 209–229 <https://doi.org/10.1007/s11628-021-00441-0>.
- Hsiao, T.-Y., Chuang, C.-M., & Huang, L. (2018). The contents, determinants, and strategic procedure for implementing suitable green activities in star hotels, *International Journal of Hospitality Management*, 69,1-13.
- ILO (2020). A policy framework for responding to the COVID-19 crisis. Retrieved from: http://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_739047lang--en/index.htm?shared_from=shr-tls
- ILO (2021). Social protection responses to COVID-19 in Nepal. Retrieved from: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/publication/wcms_809272.pdf
- Ivanov, D., & Dolgui, A. (2020). Viability of intertwined supply networks: extending the supply chain resilience angles towards survivability. *International Journal of Production Research*, 58, 2904-2915.

- Jasmine, C. A. (2019). Impacts of COVID-19 on company and efforts to support organization. <http://dx.doi.org/10.2139/ssrn.3590726>
- Kim, J., Kim, J., Lee, S. K., & Tang, L. (Rebecca). (2020). Effects of epidemic disease outbreaks on financial performance of restaurants: Event study method approach. *Journal of Hospitality and Tourism Management*, 43, 32–41. <https://doi.org/10.1016/j.jhtm.2020.01.015>
- Kim, S. S., Chun, H., Lee, H. (2005). The effects of SARS on the Korean hotel industry and measures to overcome the crisis: a case study of six Korean five-star hotels. *Asia Pacific Journal of Tourism Research*, 10(4), 369–377.
- Kloutsiniotis, P. V., & Mihail, D. M. (2020). The effects of high performance work systems in employees' service-oriented OCB. *International Journal of Hospitality Management*, 90, 1-12.
- Kuckertz, A., Brandle, L., Gaudig, A., Hinderer, S., Reyes, C. A., Prochotta, A., Steinbrink, K. M., & Berger, E. S. (2020). Startups in times of crisis –A rapid response to the COVID-19 pandemic. *Journal of Business Venturing Insights*, 13, 1-13. doi:10.1016/j.jbvi.2020.e00169
- Leiper, N. (2008). Why 'the tourism industry' is misleading as a generic expression: the case for the plural variation, 'tourism industries'. *Tourism Management*, 29(2), 237–251.
- Maital, S., & Barzani, E. (2020). The global economic impact of COVID-19: A summary of research. *Samuel Neaman Institute for National Policy Research*, 1-12.
- Mathis, R. L., & Jackson, J. H. (2008). *Human resource management*. Thomson: South-western.
- Menegaki, A. N. (2020). Hedging feasibility perspective against the COVID-19 in the international tourism sector. doi:10.20944/preprints 2020046.v1.
- Mensah, I. (2020). Unpacking the impacts of COVID-19 on tourism and repacking the hotel service. *Hospitality Net*. Retrieved from <https://www.hospitalitynet.org/opinion/4098657.html>
- Min, H. (2015). *The essentials of supply chain management: New business concepts and applications*. FT Press: USA
- MOHP (2022). Retrieved from <https://covid19.mohp.gov.np/>
- Ncube, F. N., Chikuta, O., Basera, V., Baipai, R., Mazhande, P., & Tapfuma, M. (2021). Economic Impacts of the COVID-19 pandemic on the hotel business in Zimbabwe. *Journal of Tourism, Culinary and Entrepreneurship (JCTE)*, 1(2), 105-121.
- Novelli, M., Burgess, L. G., Jones, A., & Ritchie, B. W. (2018). 'No Ebola... still doomed'—The Ebola-induced tourism crisis. *Annals of Tourism Research*, 70, 76-87.
- Pappas, N., & Glyptou, K. (2021). Accommodation decision-making during the COVID-19 pandemic: Complexity insights from Greece. *International Journal of Hospitality Management*, 93(1), 1-46.
- Prasain, S. (2021). Nepal's luxury hotels struggle recovery amid massive losses. Retrieved from: <https://kathmandupost.com/money/2021/10/09/nepal-s-luxury-hotels-struggle-to-recover-amid-massive-losses>.
- Salem, I. E., Elkhwesky, Z., & Ramkissoon, H. (2021). A content analysis for government's and hotels' response to COVID-19 pandemic in Egypt. *Tourism and hospitality research*, 22(1), 42–59.
- Sapkota, R. (2020). *Nepal relying on unreliable COVID-19 kits*. *Nepali Times*. Retrieved from <https://www.nepali-times.com/latest/nepal-relying-on-unreliable-COVID-19-kits/>
- Shapiro, A. H. (2020). Monitoring the Inflationary Effects of COVID-19. *FRBSF Economic Letter*, 24, 01-06.
- Shrestha, A. (2021). The impact of the pandemic on the hospitality and tourism sector, and its recovery. *Nepal Economic Forum*, retrieved from: <https://nepaleconomicforum.org/the-impact-of-the-pandemic-on-the-hospitality-and-tourism-sector-and-its-recovery/> on 2022. 02.13.

- Shrestha, R., Shrestha, S., Khanal, P., & KC, B. (2020). Nepal's first case of COVID-19 and public health response. *Journal of Travel Medicine*, 27(3), 1-3.
- Sotiris, F., & Theodore, M. (2020). Tourism: The Great Patient of Coronavirus COVID-2019. Retrieved from <https://mpa.ub.uni-muenchen.de/99666/>
- Stephan, U., Zbierowski, P., & Jean, P. (2020, May 12). *News Center*. Retrieved from King's Business School: <https://www.kcl.ac.uk/>
- Sun, J., Sarfraz, M., Khawaja, K. F., Ozturk, I., & Raza, M. A. (2022). The perils of the pandemic for the tourism and hospitality industries: Envisaging the combined effect of COVID-19 fear and job insecurity on employees' job performance in Pakistan. *Psychology Research and Behavior Management*, 15, 1325–1346. doi: 10.2147/PRBM.S365972
- Tellioglu, S. (2021). The impact of COVID-19 on supply chains of all-inclusive hotels. *Geo Journal of Tourism and Geosites*, 35(2), 464-470.
- Teo, S., Bentley, T., & Nguyen, D. (2019). Psychosocial work environment, work engagement, and employee commitment: a moderated, mediation model. *International Journal of Hospitality Management*, 88, 1-10.
- Terzidou, M., Styliadis, D., & Szivas, E. M. (2008). Residents' perceptions of religious tourism and its socio-economic impacts on the Island of Tinos. *Tourism and Hospitality Planning & Development*, 5(2), 113–129. <https://doi.org/10.1080/14790530802252784>
- The World Bank (2020). Covid-19 impact on Nepal's economy hits hardest informal sector. *World Bank Group*. Retrieved at <https://www.worldbank.org/en/news/press-release/2020/10/08/covid-19-impact-on-nepals-economy-hits-hardest-informal-sector>
- The world Bank in Nepal (2020). Nepal Overview. Retrieved from: <https://www.worldbank.org/en/country/nepal/overview> (20 Jan 2022, date last accessed).
- Ulak, N. (2020). COVID-19 pandemic and its impact on tourism Industry in Nepal. *Journal of Tourism and Adventure*, 3(1), 50-75.
- Vardarlier, P. (2016). Strategic approach to human resources management during crisis. *Procedia – Social and Behavioral Sciences*, 235(10), 463–472.
- WHO (2022). Enhancing response to Omicron SARS-CoV-2 variant: Technical brief and priority actions for Member States Retrieved from “https://www.who.int/docs/default-source/coronaviruse/2022-01-07-global-technical-brief-and-priority-action-on-omicron---corr2.pdf?sfvrsn=918b09d_26”
- World Bank (2022). Nepal development update. World Bank Group, retrieved at <https://documents1.worldbank.org/curated/en/099509510142293911/pdf/IDU0ccf1fc540d49604f840bed8028507a611b30.pdf>, 2022.11.12
- World Travel and Tourism Council. (2019). Economic Impact Reports. Retrieved at <https://wtcc.org/research/economic-impact#:~:text=In%202019%2C%20the%20Travel%20%26%20Tourism,the%20share%20increasing%20to%206.1%25.>
- Worldometers (2022). Retrieved from <https://www.worldometers.info/coronavirus/>
- Zenker, S., & Kock, F. (2020). The coronavirus pandemic – A critical discussion of a tourism research agenda. *Tourism Management*, 81, 104164. doi: 10.1016/j.tourman.2020.104164