

Effects of Covid-19 in the Restaurant Industry of Kathmandu Valley

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Abstract

This study has been conducted to analyze the effects of COVID lockdown on restaurant business in Koteshwor area of Kathmandu. It has used primary data in order to meet the basic objectives of the research and used simple descriptive analysis as well as correlation analysis. This study has used multi-staged sampling and collected the data from 30 restaurants among the 32% in Mahadevsthan area of Koteshwor-32, Kathmandu. The result conformed that COVID-19 lockdown has had a devastating effect in the business of restaurant industry. There are some positive aspects like the cleanliness and hygiene are more taken care of these days. Furthermore, it has also found out that business of the restaurants was completely closed during the period of lockdown and they were facing loss. Even after the lockdown was lifted, the ratio between sales and profit has been seemed to decrease.

“Keywords:” COVID-19, lockdown, restaurant business, pandemic, vulnerable

1. Background of the Study

COVID-19 has already affected whole countries and regions in the world. Economically developed countries are failed to tackle this pandemic situation. In comparing developed countries, the developing and poor countries are unable to meet this condition. Nepal is a least developed country and used isolation and lockdown to stop the spread of this deadly virus. Due to the lockdown and isolation, the economy of Nepal is seriously affected. Nepal imposed a lockdown to control the spread of the coronavirus on 24 March 2020 and partially opened in the first week of September 2020. The lockdown has affected the overall physical, mental, social, and spiritual health of the people and posed unique challenges to vulnerable populations and limited resources to respond to the pandemic (Poudel & Subedi, 2020). Furthermore, this pandemic has also badly affected the economy like manufacturing industry, service industry as well as agriculture industry.

Among these industry, Corona Virus have highly affected the restaurant industry. A lot of restaurants and hotel businesses have been closed for months due to this lockdown. Not only in Nepal, but the hotels and restaurants

around the entire globe remained closed for several months due to the government-led lockdown of their respective countries (Gautam, 2021).

The restaurants industry has been an integral part of the Nepalese economy. The current generation has got a chance to experience a revolution in restaurant and food delivery channels. Restaurants have become very important in this busy world to change the taste of many people. Apart from that, the hotel and restaurant industry has played a major role in tourism development as well as the entire economic development of the nation. Similarly, the food industry also needs a mobilized economy to run properly. The recent COVID-19 pandemic has affected the entire global economy to a very large extent. The global lockdown has created a huge hindrance in the movement of the economy worldwide. This has not left the food and hospitality industry untouched. Most of the cafes, hotels, restaurants and even food stalls remained closed during this lockdown (Dogra, 2020). Very few restaurants were providing online service to their customers even during this lockdown. An article presented by Sajad Hussain has concluded that COVID-19 has made an adverse impact on the tourism and hospitality industry as it is governed by the psychology of tourists who are extremely susceptible to issues of safety and security. This makes it even more prominent that the food and restaurant industry, which is an integral part of the hospitality industry, must not have remained unaffected by this pandemic and the global lockdown imposed due to the pandemic. Thus, when the topic of COVID lockdown and restaurant business arises, it is very important to know whether this lockdown has affected the business of restaurants or not and if it has affected the industry, what are the major effects and how have they changed the income chart of the sector throughout the entire period? Are there positive sides to lockdown? This study has tried to answer these questions through the help of a survey.

2. Review of Literature

Various study (Badr et al. 2020; Davahli et al., 2020; Hall, Scott, & Gössling, 2020; International Labor Organization, 2020; Katzanek, 2020; Molla, 2020; & Underwood, 2020) made on effects of pandemic on restaurants business. All these studies showed only negative impact of COVID-19 on restaurants business.

Sah et al. (2020) focused on the impact of COVID-19 on tourism in Nepal. The major objective of this study was to examine the impact of COVID-19 on the tourism industry in Nepal. After the lockdown of 24th March, hotels, airlines, and thousands of employees lost their livelihood. This study has used the descriptive method to explain the effects of pandemic in Nepal. This study found that government has increased the budget for the health sector to 6% which is still below the WHO recommended of 10%. This study has concluded that the pandemic has also severely impacted the economy as well as the health care system.

Rahaman (2020) examined how hotels and restaurants are gearing up to woo price-conscious customers has been fearful that the hospitality industry might be the last one to recover from the pandemic and its economic impacts. This study used the descriptive method to show the way of gearing the restaurant business. This study found that that hygienic meals with affordable rates could be the means to gear up the industry faster.

Madeira et al. (2020) stated the objective of research to identify restaurant entrepreneurs' perceptions about the future, government measures, strategies they have applied, and lessons learned for the future after the mandatory lockdown of restaurants and hospitality establishments related to pandemics. The framework was developed through content analysis with line-by-line coding applied to questionnaires collected online from Portuguese

restaurant entrepreneurs. The study has identified among restaurateurs four major themes in the interviews conducted: pessimism as the process of recovery from losses is perceived as slow and difficult, resilience as many believed they can start over, uncertainty as the duration of restrictions imposed due the pandemic are not fixed and opportunities as many thought it is time to redirect their businesses to internal markets. The results have revealed the existence of common concerns among all entrepreneurs in the restaurant business for the post-pandemic period, about the measures that the governments should implement and the strategies and lessons learned for the future. Resilience in face of the future, fear of a lack of appropriate government measures, strategies designed for markets with greater immediate availability, and the creation of working capital are visible concerns in the restaurant business.

Gursoy and Chi (2020) analyzed the effects of the COVID-19 pandemic on the hospitality industry and explained that technology integration and adoption into hospitality operations would likely be integral shortly. While hospitality researchers have been studying the use of various technologies in hospitality service delivery over the years, most of those studies have focused on unintelligent technology adoption. Recent developments in artificial intelligence (AI) and social service robot technologies have enabled the use of AI technologies in service delivery and the Covid-19 pandemic may precipitate the popularity of such technology for public safety reasons. Therefore, it is crucial for hospitality researchers to investigate how AI device use in service delivery impact operations, employees, and customers. Furthermore, it is critical to identify the factors, both physical and psychological, that influenced customers' and employees' acceptance of AI device use in service delivery.

Kim and Lee (2020) examined the customer preference toward dining. The objective of the study was to analyze customers preferred private dining facilities during the pandemic. This study found the perceived threat of COVID-19 increases the preference for private dining and gave a solution to the restaurant business to tackle the problem of reducing customers under the pandemic situation by providing private dining rooms or private tables.

Davahli et al. (2020) investigated the effects of economic recessions and changes in local economic conditions on the growth of food-at-home (FAH) and food-away-from-home (FAFH) sales at the county level and estimates the likely impacts of the COVID-19-induced recession on food sales. This study has shown the recessionary effects of COVID-19 are likely to increase the growth of food-at-home sales by 1% and decrease the growth of food-away-from-home sales by 0.9%. The results indicated recessionary effects of COVID-19 on food sales are small compared to the pandemic and public health effects of COVID-19 on food sales. This study found the growth rate of FAH sales has increased by 3% (Food Expenditure Series) compared to the 1% increase predicted by the income shock. The growth rate of FAFH sales has decreased by 23% (Food Expenditure Series) compared to the 1% decrease predicted by the income shock. Therefore, the finding concluded that there was significant change in food sales, especially in FAFH sales, are not primarily because of the COVID-19-induced recession.

Alkawasbeh (2020) analyzed the effects of COVID-19 on the restaurant industry. This study aimed to examine the impacts of COVID-19 on restaurant marketing and management practices and outlined three-pronged research agenda to stimulate knowledge development in the restaurant sector. This paper was based on an overview of the relevant literature on social media in food advertising. This study also investigated trends in hospitality services to suggest a research agenda. This study found the global panic associated with COVID-19

could have lasting consequences for advertising. Effective strategies are essential to boost customer confidence and help restaurants recover in time after this public health crisis. The resilience of the restaurant industry Sustainability can be anchored by addressing diverse consumer needs and by taking steps to turn adversity into opportunity on social media platforms. These efforts are in line with expected trends in market demand, such as customer wellness, contactless services, and environmental stewardship. Restaurant business paths related to this pandemic and dynamic market demand reveal several areas where professional knowledge must be developed.

Saha (2021) analyzed the impact of the COVID-19 lockdown in Dimapur, Nagaland, India to investigate the effects of restaurant business of these city. The major objective of this study was to analyze the impact of lockdown on the restaurant industry in Dimapur, Nagaland, and provide the appropriate suggestion for the betterment of the industry. The study has adopted both primary and secondary sources of data collection as well as adopted the analytical as well as descriptive research design. The study has concluded that the restaurant business in Dimapur faced a financial crisis during the first wave of the pandemic. But in the second wave hitting Dimapur and the imposition of lockdown again in the state of Nagaland it had remained to be seen how many of these businesses sustain the pressure.

Khan et al. (2021) investigated the effect of economic crisis and non-employability on employees' mental health through perceived job insecurity under the pandemic situation. It empirically examines the underlying framework by surveying 372 employees of the hospitality industry during COVID-19. Results indicated that perceived job insecurity mediates the relationship between fear of economic crisis, non-employability, and mental health. Furthermore, the contingency of fear of COVID-19 strengthens the indirect relationship of fear of economic crisis on mental health through perceived job insecurity. The findings provided a new dimension for managers to deal with the psychological factors associated with the employees' mental health and add to the emerging literature on behavioral sciences.

Marchiori and Assis (2021) examined the impact of COVID-19 lockdown on the street food vendors in America. This study was based on primary data. The study found that COVID-19 crisis effects both health and economic crisis. This study identified emergency laws and regulations that recognized informal vendors as workers by protecting their health and supporting their livelihoods. Twelve countries adopted regulations allowing informal vendors selling food to continue their activity. This study found that online selling plays a vital role to survive the restaurants business.

Zeb et al. (2021) examined the effects of COVID-19 on restaurants and street food vendors. The objective of this study was to investigate the impact of COVID-19 on restaurants and small stalls of street food vendors in Pakistan and to suggest a way forward. A total of 30 interviews were conducted through conference calls. The findings proved that major issues faced by restaurants are the massive decline in sales, massive layoffs, no economic activity, and no relief from the government. A study has been conducted that COVID-19 has completely changed the norms of life. All economic activities were shut down during the pandemic. Now the government of Pakistan has announced lifting the lockdown to resume the economic activities in the country. However, the world is still not COVID-19-free. Therefore, preventive measures are to be ensured by the general public for safety.

The previous researches made on the similar topics are related to hotel and tourism business. However, the previous works of study have not studied the impact of COVID-19 typically on restaurant business. Therefore, this study has examined the effects of pandemic on restaurant business in Koteshwor area of Kathmandu valley.

3. Methodology

This study has applied the descriptive as well as analytical research design. The primary data were collected through multistage sampling method. The Koteshwor area of Kathmandu valley was selected through multistage sampling and select the 30 restaurants out of 32 by using Yamane's formula of sample size calculation. Whereas, sample size $(n) = \frac{N}{1+N(e)^2}$

Where N = Sample frame (net population), e = Margin of error (i.e 5%)

$$n = \frac{32}{1+32(0.05)^2}$$

$$= 29.62 \approx 30$$

The calculated sample size is 29.62 which is equivalent to 30. Thus, 30 was the sample size of the study.

Correlation analysis used to examine the relation between sales and profit of the restaurants. This correlation analysis showed how the overall sales and the profit of the industry has been affected throughout the period of the lockdown.

4. Analysis and Discussion

COVID-19 Lockdown caused a devastating effect in the financial and mental as well as emotional aspect of the restaurant owners of Koteshwor-32, Kathmandu. Most of the respondents were very devastated and have become financially weaker than they were before lockdown. COVID-19 caused loss in business, employment lost by staff, mental and emotional breakdown, financial crisis, and increase in debt in restaurant business. However, out of 30 restaurants, 9 restaurant has made positive impact through maintain hygiene and started online business whereas 21 did not experience any positive impact of the lockdown in their business.

On the basis of capital investment there are three types of restaurants small size (up to capital investment Rs. 1000000), medium size (Rs. 2000000), and large size (above the capital investment 2000000). The effect of pandemic on restaurants business according to capital investment shown in Table 1

Table 1

Descriptive Analysis of Sales, Profit and Daily Count of Customers

	Minimum sales	Maximum sales	Mean	Std. Deviation
NDSBL	5000-10000	10000-20000	1000	.78784
BNDP	500	10000-20000	1000	.78784

Source: Field Survey, 2022

Note: NDSBL= Normal daily sales before lockdown; BNDP= Normal daily Profit before lockdown

Table 1 shows the minimum normal daily sales (NDSBL) of the restaurants before the lockdown started was 5000-10000 which means that every restaurant from size big to small in Koteshwor area used to do business at the range of Rs.5000-10000 at least. The maximum normal daily sales of the restaurants are ranges of Rs. 10000-20000. However, high standard deviation between minimum sales and maximum sales is 0.78.

Similarly, another variable presented as BNDP which indicates the minimum normal daily profit of the restaurants before lockdown was started from less than Rs. 500. Similarly, maximum amount of profit earned by the restaurants before lockdown started ranges from Rs.10000-20000. However, the average daily profit of all the 30 restaurants falls under category of Rs. 1000.

Table 2

Correlations Between Normal Daily Sales and Profit Before Lockdown

		BNDS	BNDP
BNDS	Pearson Correlation	1	0.963
	Sig. (2-tailed)		.000
	N	30	30
BNDP	Pearson Correlation	0.963	1
	Sig. (2-tailed)	.000	
	N	30	30

Source: Calculation based on Field Survey, 2022

Note: NDS=Normal daily sales before lockdown; NDP=Normal daily profit before lockdown.

Table 2 shows that there is high level of positive correlation between sales and profit of the restaurants before the lockdown started. There is 96% positively and significantly correlated between sales and profit in restaurants business. This finding may also be helpful to conclude that the sales must be maximized in order for the restaurants to maximize the profit. Thus, the profit would increase in high amount with the increase in sales.

Table 3

Correlations Between Normal Daily Sales and Profit After Lockdown

		ADS	ADP
ADS	Pearson Correlation	1	.314
	Sig. (2-tailed)		.091
	N	30	30
ADP	Pearson Correlation	.314	1
	Sig. (2-tailed)	.091	
	N	30	30

Note: ADS=Normal daily sales after lockdown; ADP=Normal daily profit after lockdown. Calculations from field survey 2022

Table 3 shows the smaller level of positive correlation between the sales and the profit of the business. Correlation coefficient is 0.314 which shows the positive correlation between sales and profit but the positive correlation is not very significant. This study has found out that the restaurant owners are not being able to generate as much profit as before the lockdown, during the course of study, on the basis of conversation with the business owners, it has been observed that the additional expenses for the safety measures has made the impact on the profit. Since the restaurants adopted to social distancing protocols, they could not serve the customers to their full capacity which made them take longer time to serve the same number of customers as before the

lockdown. Thus, this caused larger portion of fixed cost to per unit of sales. This made the marginal profit of the restaurant owners to decline.

Table 4

Status of Salary Payment based on Capital Investment

Capital investment in Rs	Number of restaurants	Number of Restaurants which paid half salary	Number of restaurants which fired the Labour	Number of restaurants which back to hired labour
Up to 1,000,000	15	0 (0%)	3	3
1000000-2,000,000	12	6 (50%)	6	0
Above 2,000,000	3	3 (100%)	3	0
Total	30	9 (30%)	12	3

Source: Field survey 2022

Table 4 shows the relationship between the restaurants' capital investment and they paid half salary to their staff exhibits that none of the restaurants with capital investment up to Rs 1,000,000 paid half salary to their staff. Six restaurants with the capital ranging Rs 1000000-2000000 paid half salary to their staff and three restaurants with capital investment more than 2000000 (which includes all the restaurants that were studied) paid half salary to their staff. This study shows that 100% of the small restaurants among the studied restaurants did not pay half salary to their staff. 50% of the medium sized restaurants paid half salary to their staff and 100% of the large sized restaurants paid half salary to their staff. The analysis shows that only nine restaurants (30% of the total studied restaurants) paid half salary to their staff and the remaining did not pay any salary to their staff during the period of lockdown.

Similarly, three restaurants with the capital investment up to Rs 1000000 fired their staff and 12 restaurants with small investment did not fire their staff. Six restaurants among the 12 restaurant which belong to the category medium (investment from Rs 1000000-2000000) fired their staff and remaining six did not fire their staff. Similarly, all the three restaurants with capital investment more than Rs 2000000 fires their staff.

The restaurants hired their staff back after the lockdown was lifted. Three restaurants with capital investment up to Rs 1000000 fired their staff and none of them paid half salary to their staff. Thus, the remaining 12 fall under the category that neither fired their staff and nor paid half salary but simply took back their employees after they started to become operational. Six restaurants from the category of medium restaurants paid half salary to their staff and remaining six fired their staff. All the three restaurants belonging to the category of large restaurants with paid half salary to some of their staff and fired some of their staff but did not take back their old staff after the lifting of the lockdown. This analysis shows that only the small restaurants with took back their staff after the lockdown was lifted.

5. Conclusion

This study tried to analyze the effects of COVID-19 on restaurants business in Kathmandu valley. The study was conducted mainly on the basis of primary data. COVID-19 lockdown had a devastating effect on all

kind of the restaurants ranging from small to large. A lot of the restaurant owners were left with a huge loss and an enormous debt that totally changed their business life as well as their personal life. This incident not only affected the business, but the entire economy was hugely affected due to the lockdown. Moreover, hotels, restaurants and hospitality sector were one of the most severely affected ones. Though there was a way for the restaurants to minimize loss by delivering their food and being digital while others were closed, none of them went for the way of digitalization. We can say that, restaurant sector could not progress in the digital field while other sectors like banking were mostly focusing in the digital transactions and online payment system. Thus, the policymakers should emphasize the digitalization of the economy to minimize the adverse effects of pandemic in restaurants business.

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