

## **Monetary Policy Peri-Post Covid-19 and Rise of Enterprises in Nepal**

Kiran Mainali  
*King's College, Nepal*

### **ABSTRACT**

*The paper analyzes the way distressed enterprises of Nepal can be kept afloat or conserved against upheaval through major amendments in the monetary policy. The narrowed business groups can be revitalized if the government would immediately impose certain leverages to monetary policies and increase the inflow of capital to make it accessible to the needy entrepreneurs. Good chances for re-emergence of companies post Covid could accommodate repatriated people for employment with an effective draft of the monetary plans.*

**Keywords:** distressing, employment, enterprise, monetary policy, moratorium, recession, repatriated.

### **INTRODUCTION**

Covid-19 has evolved as the latest threat that has wreaked massive havoc in human society and its economic structure. Businesses are crippled and large portions of the workforce are losing their employment. Consequently, some greatest economies in the work are progressing to devastation as a result of the sprawling pandemic. According to *Financial Times* (2020), economists speculated a massive plunge of the economic activity globally as a consequence due to the official shelter-in-place orders. Covid-19 now has become more than overwhelming for the developing country like Nepal.

Nepal being a country whose GDP is largely backed up by tourism and remittance apart from agriculture is likely to face serious economic adversities further degrading the entrepreneurship ecosystem in Nepal.

The rippling effect instigated by the novel Covid-19 health crisis, have completely dismantled the existing entrepreneurship sector in Nepal. Most of the small-scale entrepreneurs who do not have excess privilege of abundant resources have started to terminate their business, laying off their pool of employees. Their sustainability has shuttered. Similarly, many more enterprises largely working on the ecommerce or logistics arrangement had certain aberrations to their usual business practice in pursuit to sustain their business and have a constant financial inflow. Most of the elite innovative leading business houses like Foodmandu, Sastodeal, and Pathao quickly made a steady switch to deliver groceries. The IT centered startups endorsed the work at home culture, which indeed did not harm their business as compared to other strata of industry. The hospitality and tourism affiliated industries were the worst hit sector in Nepal; most of the restaurants operated within the valley went bankrupt and are expected to bear long-term financial consequences.

Monetary policy is often referred to as the demand side of policy, which explains the power provided to the central bank of the country to control the money flow within the state. These policies align with the ambition of meeting the macroeconomic goals of the nation. The major objective behind articulated execution of monetary policy is to create price stability, curb unemployment, and maintain the balance of payment (Precious & Palesa, 2014). Changes in the monetary policy framework are pivotal in bringing drastic amelioration in the economy of Nepal by driving the notion of entrepreneurship. Therefore, with such challenging times approaching ripping the economic development, a bigger question needs to be effectively addressed, how will the spirit and culture of entrepreneurship be redeemed in Nepal? How can the government or the state rebuild the shrunk economy through entrepreneurship? The main objective of the paper is to explore the expected monetary policy changes and the way the incubation of startups can be fostered post Covid period.

## **MAIN ARGUMENT**

Covid-19 has completely ravaged the operation of the enterprises and rendered such operations largely dysfunctional. The entrepreneurs now need to muster enough strength, willpower, courage, and determination to rebound against the vile impact that Covid-19. Apart from this, the governmental assistance or stimulus plan is what the entrepreneurs are counting on to steadily recover their compromised businesses. The latest national budget announced in Nepal for the fiscal year 2076-77 BS, has

some accommodation or relief program dispensed to the entrepreneurs or the business that has been intensely affected by the influence of Covid-19. According to Ozili and Arun (2020), hard-hit countries like China and Italy have majorly granted the debtors or the ventures moratorium in their payment of the principal and interest. These actions have been the point of relief for several entrepreneurs who were succumbing to the economic adversities imposed by the restriction in the mobility of the people. Similarly, other countries have brought immediate amendments on their monetary policies by lowering the interest rates and buying the bonds from the market whose values went plummeting. This also provided some extent of financial relief to the entrepreneurs or businesses scrambling their way in the country.

As per the research conducted by Koirala and Acharya (2020), enterprises of Nepal, which are devastated by the unprecedented Covid-19 crisis, need to be provided with an immediate disaster relief plan. If the government cannot support the failing business on all levels, the government should intervene in a sector where there is an influence from the governmental such as electricity, taxes, or the central bank. However, much relief to the business enterprises came after the announcement of the national budget where prime changes in the monetary policies applied. The largely affected entrepreneurs associated with the tourism industry were provided space to procure loans at 5% for quick recovery (Aryal, 2020). Evidently, after any post-recession period, the government attempts to inflict expansionary monetary policies where the interest rates of the banking and financial institutes are reduced. The desired outcome is for an increase in spending throughout the country.

Since, a large number of young workers are expected to be repatriated to the country amid the financial difficulties, the government has decided to provide loans at 2% of nominal interest rates for entrepreneurs to promote a startup culture. In turn massive employment opportunities' should emerge in all sectors. Further, considering the slumping economy creates large vacuum on the enterprise development, more advanced changes on the monetary policies can be expected. The government might consult with the banks and financing institutions to accept the proposal of moratorium of the entrepreneurs of the hard whacked sectors. Similarly, a more conducive monetary environment might be fostered such that the sinking enterprises will remain afloat and deduction on the interest rates might ensue more entrepreneurs to invest on their business idea utilizing the dwindled interest rates. Similarly, to create a constant balance of payment, the government should even make necessary changes in the monetary plans and provide loans to the other productive sector, export oriented industries at lower costs, such that they could effectively see a major jump and transition in assisting the economic growth of Nepal. The government has also decided

to ease off the process of company registration and dissolution such that the distressed companies can easily vacate out and other enterprises keen to bring necessary amplification in the economy of the nation can be well promoted.

## CONCLUSIONS/ IMPLICATIONS

As the impact of the Covid-19 widens, the entrepreneurs are desperately hoping of some financial relief or change in policy framework. Such assistance would boost their affected ventures. Since, major economists believe the Covid-19 streak of inhibiting business might scale up, immediate revamping in the monetary policy is the attribute that the entrepreneurs of hard hit sectors of Nepal are relying upon to survive the current economic conditions. Most of the developed countries were quick to respond and provide assistance through monetary policies amendments to help small business persevere through the pandemic. Comparatively, the Nepalese government has been sluggish in the initial days of the pandemic. However, the affirmation of the national budget of 2076/77 had some relief plans for the hard hit enterprises and aspiring entrepreneurs. In the post Covid-19 phase, if the government of Nepal would enhance its plans and relax the monetary policies favoring the enterprises, distressed businesses could proactively rebound. Such steps would initiate an economic healing that would first manifest in the agricultural sector.

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**KIRAN MAINALI**, is an agricultural engineer by qualification and currently pursuing MBA-Agribusiness at King's College, Nepal affiliated with Westcliff University, CA, USA. His major research interest areas lie on agriculture, technology, entrepreneurship, economics and innovation.

Email: [Kmainali11111@gmail.com](mailto:Kmainali11111@gmail.com)

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