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**Managing access to the finance during the
corona pandemic: Lessons from tourism
entrepreneurs in Nepal**

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ABSTRACT

Background

Tourism-related small and medium enterprises (TSMEs) represent the fourth largest industry in terms of job creation and regional development in the context of Nepal. Due to the pandemic, the sector was severely affected. It resulted in job cuts, business closures, career switches, etc. In a country like Nepal, due to lower institutional development, the TSMEs need help to access finance to expand and continue their business. During the pandemic, economic collapse was observed worldwide. Managing a business with low financial access could have been challenging in such a situation. This study explores how tourism entrepreneurs access the resources for their businesses during the pandemic. Furthermore, government plays an important role in creating a conducive business environment. This study tries to explore the role of government during the pandemic. It also explains how weak governmental support and limited access for bank credit can overpower the role of social capital.

Purpose

The main purpose of this study is to understand how tourism entrepreneurs finance their businesses during the corona pandemic. The study emphasizes on complexities in accessing the bank loans, which outweighs the value of social capital. Further, it also explains the role of government towards entrepreneurial motivation and financial assistance during the pandemic.

Method

This study uses qualitative case study approaches to explore the impact of the pandemic on tourism entrepreneurs for resource acquisition. Seven Nepalese tourism entrepreneurs were selected for an interview. Semi-structured interviews were conducted with entrepreneurs and representatives. During the interview, respondents' privacy and confidentiality rights were considered.

Contributions and implications of the study

This study tries to provide the new insights on tourism entrepreneurship from the emerging economies context. It further contributes to new knowledge on strengthening role of social

capital. Government can use this research as a reference to figure out their roles and responsibilities towards the tourism businesses.

Conclusion

The finding reveals that entrepreneurs of TSMEs have limited access to bank credit due to its nature of seasonality and inconsistencies in income patterns. Tourism businesses tend to be one of the riskier sectors for investment for all banks. Therefore, tourism entrepreneurs struggle to manage finance from banks. Moreover, during the pandemic, banks were operated for limited operations, so access remained more restrained. Further, the government's safety measures of lockdown and travel restrictions and tourism entrepreneurs' income flow were restricted. In such a situation, tourism business funds their business from their network partners. They borrowed loans from family, friends, and relatives to manage the business.

Key words: Tourism entrepreneurship, access to financial capital, government support, social capital

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Abbreviations

BFI- Bank and Financial Institutions

ESCAP-Economic and social commission for Asia and the Pacific

GDP- Gross Domestic Product

GEM- Global Entrepreneurship Monitor

IFC- International Finance Corporation

ILO- International Labour Organization

MSME- Micro, Small and Medium Enterprises

OECD-Organization for Economic Cooperation and Development

SMEs- Small and Medium Enterprises

TAAN- Trekking Agencies' Association of Nepal

TGAN- Tourism Guide Association of Nepal

TSMEs- Tourism- related small and medium enterprises

UN- United Nations Organization

WTO- World Trade Organization

WTTC-World Travel and tourism council

Chapter 1

Introduction

1.1 Background of the study

The overall objective of this thesis is to understand how tourism entrepreneurs in Nepal manage the finance for their business amid the coronavirus pandemic. The pandemic impacted the global economy, particularly the tourism industry (Bakar & Rosbi, 2020, p. 189). Millions of people died due to the global impact of Covid-19, which began in China in 2019 and spread worldwide (Bakar & Rosbi, 2020, p. 189). Additionally, the government's imposition of safety measures, including social isolation, lockdowns, quarantines, and travel restrictions, affected the lives of billions of people, causing an economic collapse on a global scale (Bakar & Rosbi, 2020, p. 189). Traveling was one of the least important activities during the pandemic (Bakar & Rosbi, 2020, p. 189). With stronger government regulations and decreased tourism activity, the earnings of the tourism industry decreased. It led to rising unemployment and layoff rates. Entrepreneurs struggle to pay their rent, employees' salaries, loan repayments, and operating expenses throughout the pandemic.

Government support is crucial for assisting firms, mainly through financial aid and tax deductions during a crisis. This study emphasizes the importance of government assistance in gaining access to resources during the pandemic. It highlights the role of the government and how government support helped the tourism entrepreneurs in Nepal. Further, this study also explains tourism entrepreneurs' challenges in managing the resources for continuing business during the pandemic. Furthermore, the study also describes how social networks are used to acquire resources. With so many tourist attractions and activities, Nepal has the greatest potential for tourism firms. It is an applicable business for generating employment and alleviating poverty, especially in rural and regional areas. Special governance from the tourism agencies would be like a steppingstone towards developing the sector and increasing the inflow of foreign currency to the country. Therefore, this study can be relevant to the tourism governing bodies like the Tourism Board of Nepal and Trekking Agencies and Association of Nepal to find loopholes and formulate plans and policies to uplift this sector.

The tourism industry is identified as small and medium enterprises that are a significant source of income generation and employment creation in developed and emerging economies (Iuliana et al., 2016; Shaw & Williams, 2013, p. 264). Unlike other economic sectors, the tourism industry is characterized by easy access to skill requirements, lower capital requirements, and features matching the retail store (Shaw & Williams, 2013). Assessing the cheap finance from formal institutions has been recognized as a major barrier for small and medium enterprises, especially in emerging economies (Beck & Demirguc-Kunt, 2006; De Bettignies & Brander, 2007; Harvie et al., 2013; Osano & Languitane, 2016). In Asian countries, SMEs are generally deprived of the formal institutions' cheap credit. Formal institutions require more collateral for lending to SMEs, and the interest rate remains higher than expected, especially for SMEs (Yoshino & Taghizadeh-Hesary, 2018). Cook (2001) explains the gap in accessing finance, especially in developing countries. With this major constraint throughout their inception, the challenges for SMEs in accessing resources during the pandemic are yet to be studied. Similarly, literature on the effect of SMEs due to the pandemic (Adolph et al., 2021; Fernandes, 2020; Juergensen et al., 2020; Zeidy, 2020) and the effect on the tourism industry (Gössling et al., 2020) explains the challenges faced by the SMEs, especially in the tourism sector. Further, (Allaberganov et al., 2021) highlight the role of government support in uplifting the tourism sector during the corona crisis. However, with less support from the government for TSMEs, social capital plays a significant role as a source of external financing (Beugelsdijk & Smulders, 2009; Coffé & Geys, 2007; Leonard, 2004).

With the worldwide spread of COVID-19, the government imposed stricter rules, such as travel restrictions, lockdowns, social distancing, and quarantines, which affected the tourism sector adversely. Before the pandemic, the Travel and tourism sector was one of the world's largest sectors, accounting for 1 in 4 of all new jobs created, 10.3% of all jobs, and 10.3% of global GDP (WTTC, 2022). WTTC report shows in 2020, 62 million jobs were lost, which left only 271 million employed across the sector globally that, accounting for a decrease of 18.6% (WTTC, 2022). This decrease affects SMEs - which account for 80% of all global businesses in the sector- mainly affected women, the young, and minorities (WTTC, 2022). This sector had a tremendous effect as GDP declined by 50.4% yearly, with a decline of 3.3% in the global economy (WTTC, 2022). Most countries' international tourist arrivals remained closed or restricted (WTTC, 2022). After the pandemic, the importance and positive contribution of the Travel and tourism industry

were highlighted. The tourism sector has been recovering slowly, suggesting it may take a decade to grow as it grew before covid-19 (WTTC, 2022).

1.2 Introduction to the tourism industry and corona situation in Nepal

Nepal is a South Asian country that is diverse in geography, culture and traditions, religion, natural resources, and climate, making it an attractive destination for tourism. Some tourist attractions include biodiversity, cultural diversity, abundant natural resources, suitable climate, world heritage sites, art, and culture. Although tourism has potential, it has yet to flourish as it should. Different factors may be associated with it, like promotion, infrastructure, government policies, and lack of human resources. Despite all these factors, in 2019, the Tourism industry contributed 6.7% of the Nepalese GDP, accounting for over one million direct and indirect jobs (World Bank, 2022). Tourism provides jobs to the hotel industry, restaurants, food service providers, airlines, and travel agencies, making this sector the fourth contributor to GDP (Central Bureau of Statistics, 2021). Tourism industries are small scale that can be operated by small investment, requiring less educational qualification, which is appropriate for people willing to earn money despite lower education (Iuliana et al., 2016). It is a suitable source of income for the country, where only literacy percentage is 67.91% (Central Bureau of Statistics, 2018).

In Nepal, the first corona case was discovered in Jan 2020 (Pandey, 2022). Meanwhile, after detecting increasing corona cases, the government imposed a lockdown strategy to decrease health risks. All the sectors were temporarily closed for safety reasons. Further, the series of lockdowns negatively affected all sectors of the economy, including tourism. Moreover, the tourism sector was highly affected by the spread of COVID-19. The number of international tourists decreased by -80.7% in 2020 (Department of Immigration, 2020). The decreasing number of tourists highlight the substantial effects of covid on the tourism business and the people involved.

Consequently, many people who depend on this industry, including tour operators, hotel owners, potters, trekkers, and guides, were severely affected. There were short-term and long-term effects of a pandemic. Short-term effects include layoff, unpaid leave, unemployment, absenteeism, work from home, and temporary closure of businesses. Likewise, long-term effects include the permanent closure of businesses, labor shortage, and job shifting (Pandey, 2022). Tourism businesses were severely affected, and so were

the tourism entrepreneurs. Nepalese tourism entrepreneurs face challenges paying their salary, rent, tax, loans, and advances. Further, WTTC encourages the government to formulate plans and policies to protect the people's livelihood associated with the tourism business (WTTC,2020). In Nepal, the government mainly focuses on spreading awareness about covid rather than formulating plans and policies favouring the tourism businesses. Entrepreneurs face challenges in managing the funds for businesses both for survival and continuation (Nepal tourism statistics, 2020).

1.2.1 Accessing finance in Nepal

The private banking sector highly dominates the Nepalese financial system. While comparing the Nepalese banking system's performance with all developed and developing economies, it needs to catch up in many aspects (Pokhrel, 2006). Nepal lacks an appropriate credit infrastructure to support small and medium enterprises, including credit guarantee mechanisms and insurance schemes (ESCAP, 2020). Some other obstacles include insufficient venture capital financing, strict collateral requirements, and a "missing middle" problem in accessing appropriate financing (ESCAP, 2020). SMEs are too big to benefit from microloans and too small for the bank or formal institutions to finance the project (ESCAP, 2020). ESCAP report suggests that it is difficult to access finance for small and medium enterprises because of missing middle categories of financial institutions. Banks do not prefer giving credit to small firms because of high risk, high transaction costs, and its misfit in any loan category (ESCAP, 2020).

Access to finance is the major hindrance to entrepreneurship in developed and developing economies (Austin et al., 2006). For the growth or expansion of business, the firms will require access to external finance (Austin et al., 2006). Formal institutions demand high collateral to grant loans, which makes it difficult for small firms to access credit.

Moreover, it is not profitable for formal institutions to grant smaller loans to SMEs with high risk and transaction costs (Lindvert et al.,2015). Many studies depict that funds access for small and medium enterprises are more complex than for larger firms (Beck & Demirguc-Kunt, 2006).

In emerging economies, the pandemic creates a multifaceted crisis through the increase in the default rate (Barua & Barua, 2021). Banks deal with a wide range of risks. The

pandemic has severity through the liquidity crunch, credit squeeze, increasing non-performing assets and default rate, reducing returns from loans and investments, declining market rate, and triggering the contagious bank run (Barua & Barua, 2021). Because of macroeconomic shocks, bank borrowers, individuals, and firms face a high risk of default. The banking sector can see reduced cash inflows and decreased market value of the secured collateral, increasing risk. Therefore, banks have substantial lending exposure during and after the pandemic, mainly to export-related and small businesses (Barua & Barua, 2021). The tourism entrepreneur's probability of getting the banking facility is significantly lower in such circumstances. Forced shutdowns and travel restrictions decrease incomes and cash inflows, making it more complicated for businesses to access bank loans (Barua & Barua, 2021). The firms would require the funds to operate daily operations. What were the alternate sources of funds that the firms could use? This study highlights the role of social capital as an alternative source to bank financing.

1.2.2 Bridging the financial gap through social capital

With the limitation in accessing bank credit, the social network's role in resource acquisition exists. Social capital helps to acquire resources in the developing context while starting a new firm (Lee et al., 2011). Tourism entrepreneur uses their parental property as collateral to finance their business. Further, family and friends provide access to resources for motivating entrepreneurship. The entrepreneurs' social connections and networks help obtain tangible and intangible assets necessary for business performance (Akintimehin et al., 2019). Family and friends mainly provide venturing capital, loans, referrals, and information. Social connections and networks help to identify opportunities and utilize human and financial resources (Akintimehin et al., 2019). In the context of Nepal, most tourism entrepreneurs start their businesses with the support of their social networks. Such network partners provide the information and finance for starting and operating the businesses. For example, the tourism entrepreneur uses parental property as collateral for acquiring loans from the bank.

Moreover, there are limited options for bank financing in Nepal. Further, acquiring the resources for the tourism business is complex due to its seasonal nature and inconsistent income flow (O'Rourke, 2017). In such situations, TSMEs acquire finance through their family and social networks. For instance, the entrepreneur who has a friend in a bank gets

the credit based on trust and their relationships. Internal and external social capital helps the entrepreneur in business operations (Akintimehin et al., 2019). TSMES get support from creditors, supply of valid information, and referrals from loyal customers from external or weaker ties (Akintimehin et al., 2019). Such information helps the entrepreneur to scale up the business. Likewise, TSMES gets support from family, friends, and professional colleagues regarding financial loans or gifts and strategic business advice (Akintimehin et al., 2019). In this sense, social networks are the primary source of financing for businesses with high-risk and inconsistent patterns. For example, when a bank does not provide credit, entrepreneurs borrow from family and friends within their networks. While access was a hindrance from the inception of TSMES, the entrepreneur mainly borrowed funds from their network partners during the pandemic.

Furthermore, during the pandemic, there was an increase in uncertainty in income flows for the tourism businesses. This complicated access to bank credit because of increased risk factors and banking regulations to limit credit exposure to high-risk businesses. Therefore, social capital has a significant role in acquiring resources during the pandemic.

1.3 Motivation and research gap

Naudé (2010) explains the existence of more entrepreneurial opportunities and demand for entrepreneurship in developing countries. Conversely, the study is mainly based on advanced economies (Naudé, 2010, 2011). Entrepreneurship in the Western context is declining (Naudé, 2019). Therefore, there is a substantial increase in the study of entrepreneurship in a different societal context, and emerging economies get the attention of researchers (Hamdan et al., 2022) with limited studies of entrepreneurship in developing economies. The study can enrich the knowledge of entrepreneurship and opportunities in the developing context.

Further, tourism entrepreneurship has emerged as one of the forms of entrepreneurship. It attracts the attention of researchers, policymakers, and practitioners as an important study context, mainly in developed contexts (Solvoll et al., 2015). However, entrepreneurship dynamics in emerging economies are yet to be studied (Hamdan et al., 2022). Previous studies on tourism research are mainly based on sustainable rural tourism, small business and lifestyle, and social entrepreneurship (Ochoa Jiménez et al., 2022). The study contributes to the new knowledge of tourism entrepreneurship's nature in emerging economies. The study explores the effect of a pandemic on tourism entrepreneurs in an

emerging economy. Ochoa Jiménez et al. (2022) illustrate that the pandemic's effect on tourism sectors was ten times higher than the economic crisis of 2009. Further, the study is mainly based on advanced economies like the UK, Australia, the USA, and Canada (Ochoa Jiménez et al., 2022). The study of the effect of the pandemic on tourism entrepreneurship in emerging economies is yet to be studied. However, the effect of the pandemic in developed and emerging contexts can be different due to various factors like economic policies and government support. Further, studying the means to access funds in emerging economies would be relevant.

Despite the effect of the pandemic, the entrepreneur requires resources to manage the business. The studies on resource acquisition during the pandemic are yet to be done. Further, Cook (2001) explains that limited studies are conducted on access to finance in the developing context. (Beck & Demirgüç-Kunt, 2006) explains bank credit access as a major constraint for SMEs in developing contexts. Therefore, this study tries to explain the effect of the pandemic on tourism entrepreneurship and how entrepreneurs manage access to funds during the pandemic. With the limited study on tourism entrepreneurship, accessing finance on SMEs, and the effect of the pandemic, this study contributes to the new knowledge of tourism entrepreneurship from the lens of social capital theory. The study is based on the context of Nepal, which exemplifies the phenomenon of interest. This context exemplifies tourism entrepreneurship and resource acquisition complexities in developing countries.

1.4 Aims and research questions

The overall aim of this thesis is to explore the knowledge of how tourism entrepreneurs manage the financial resources during the pandemic situation. This study uses Nepal as its context. This study further aims to explain the role of government and the role of social capital in resource acquisition.

This study mainly focuses on three research questions that are summarized as follows:

RQ1: How did the tourism entrepreneur access finance during the pandemic?

RQ2: What was the government support's role in accessing finance during the coronavirus pandemic?

RQ3: How do the social networks fulfill the financing need for tourism entrepreneurs during the pandemic?

1.5 Structure of thesis

The introductory chapter presented the background and motivation of the study, aims, and research questions. The next chapter is a literature review where the importance of conceptual understanding is discussed, together with the theoretical perspective of financial barriers, the pandemic's effect, and the importance of social capital in tourism entrepreneurship. A method chapter follows with the introduction of the context of Nepal, research perspectives, and the procedures used for data collection is discussed. Chapter 4 discusses the empirical findings from the interviews. Chapter 5 presents the results of the finding and discussion. In the last chapter, general conclusions from the thesis are presented, contributions from the research are discussed, and suggestions for future research are given.

Chapter 2

Literature review

This chapter will present relevant literature to answer the research questions raised above. The theoretical section will create the framework for analysing the empirical data and introduce the theoretical approach to tourism entrepreneurship and use of social capital theory for managing the business during a pandemic. First, there will be an introduction to entrepreneurship and tourism entrepreneurship. They are followed by the complexity of accessing finance for TSMEs and the role of government support during the pandemic. Thirdly, Social capital theory is presented as SMEs' primary source of resource acquisition. This chapter will follow a discussion on how social capital and entrepreneurship are linked and how they were affected during the pandemic. Further, the impact of social capital during the pandemic has been discussed to explain the complexities of resource acquisition.

2.1 Entrepreneurship

Over 50 years, the study of entrepreneurship developed into a branch of economics and management emphasizing the entrepreneurial process (Naudé, 2010). Various authors have varied definitions of entrepreneurship. Some see it as initiating a successful business, while others see it as developing mindsets and skills (Diandra & Azmy, 2020). According to Alsos (2007), three perspectives describe entrepreneurship. Firstly, the *innovation-based perspective* strongly emphasizes Schumpeter's (1934) work. According to this viewpoint, entrepreneurs are innovative resource combiners that launch new items onto the market and brand themselves uniquely. Second, *the business formation perspective* by Gartner and Carter (2003) clarifies entrepreneurship as the cornerstone for a new business organization. Therefore, Entrepreneurship is a process that starts with having entrepreneurial aspirations and ends with creating and launching new businesses. Third, according to the *opportunity-based perspective*, entrepreneurship is recognizing and seizing business opportunities, as articulated by Shane and Venkataraman in 2000. Further, Sarasvathy et al. (2003) describe entrepreneurial opportunities as recognition, discovery, and creation of innovative products (Solvoll et al., 2015). Entrepreneurs are regarded as the catalyst for economic growth and the means of economic development (Anokhin et al., 2008; Holcombe, 1998, p. 60). Moreover, by employing human resources with technical and skilled labor and talents, entrepreneurship creates job potential and supports economic

development (Hessels & Naudé, 2019). The economy grows more quickly with more entrepreneurs and entrepreneurial activities in the market (Dejardin, 2000, p. 2).

Entrepreneurship in the emerging economy has been identified as the key driver of economic prosperity (Soluk et al., 2021). It is considered the vehicle to help emerging economies grow and overcome the significant challenges poverty poses in developing countries (Soluk et al., 2021). Several emerging entrepreneurs are looking for business opportunities especially in emerging economies. Self-employment measures from the International Labor Organization (ILO) or opportunity entrepreneurship measures from Global Entrepreneurship Monitor (GEM) depict entrepreneurship as higher in developing countries than in developed countries (Reynolds et al., 1999). For instance, start-ups, self-employment, and opportunity entrepreneurship are higher in India than Finland or the Netherlands (Reynolds et al., 1999). While inferring entrepreneurship in developing countries, over 400 million individuals are the owners or managers of businesses (Reynolds et al., 1999).

In contrast to developed nations, the developing setting has a higher rate of entrepreneurship. However, all entrepreneurship studies were based on developed economies, according to Shane (1997), who reviewed 472 entrepreneurship papers from 19 international magazines. There has been little interest in studies on entrepreneurship in emerging economies (Shane, 1997, p. 86). Further, Institutional gaps define entrepreneurship in developing nations (Soluk et al., 2021). Institutional voids include things like the absence of formal financial institutions like banks, insurance companies, and capital providers, as well as ISO certifications for quality, which are common in developed nations, public agencies for economic development, employment agencies, and arbitration mechanisms (Khanna & Palepu, 2010). Due to institutional gaps, entrepreneurs in developing nations like Brazil or India need more encouragement for entrepreneurship (Soluk et al., 2021).

From this discussion, we can conclude that entrepreneurship is the “discovery and exploitation of the business opportunities,” and tourism entrepreneurship is a form of entrepreneurship. Tourism entrepreneurship involves innovation, risk-taking, and proactiveness in tourism sector (Ratten, 2019). Tourism entrepreneurship as a field of entrepreneurship is described in following section.

2.1.1 Tourism entrepreneurship

Due to the increasing interest in studies on the value of small firms, entrepreneurship has been identified within the tourism industry. (Shaw & Williams, 2013). Tourism entrepreneurship study has increased recently due to the recognition of economic and non-economic contributions of small and medium businesses (Solvoll et al., 2015). Tourism entrepreneurship is a new concept and requires a variety of viewpoints, including sociology, psychology, and ecology (Dewhurst & Horobin, 1998). Tourism entrepreneurship is mainly based on lifestyles, interests, and social relations (Dewhurst & Horobin, 1998). Dewhurst and Horobin (1998) found that tourism entrepreneurship focuses on non-economic motives, mainly lifestyle. It encompasses cultural-community values, socio-environmental aspects, and quality of life (Shaw et al., 2004). However, Ratten (2019) notes a shift in the viewpoint on tourism entrepreneurship throughout various timeframes. Sustainable tourism and lifestyle entrepreneurship are losing ground to digital entrepreneurship, which is expected to evolve into a sharing economy in the future (Ratten, 2019).

Becton and Graetz (2001) describe the tourism industry as small-medium-sized enterprises with less than 20 employees. According to Shaw et al. (2004), tourism entrepreneurship differs from other forms of entrepreneurship. In contrast to other forms of entrepreneurship, tourism entrepreneurship is distinguished by minimal capital needs, simple access to skill requirements, and aspects that resemble retail stores (Shaw & Williams, 2013). Tourism is driven by human desire, motives, and business opportunities to respond to complex human needs and curiosities (Nikraftar & Hosseini, 2016). Tourism entrepreneurship places a special emphasis on protecting or destroying the natural environment (Fu et al., 2019). The nature of seasonality characterizes the tourism industry. The main focus of tourism entrepreneurs is to address seasonality-related economic challenges (Fu et al., 2019). Instead of maximizing profit, tourism entrepreneurs may be primarily driven by an inner desire to use organizational slack (financial and human resource slack) to address seasonality-related economic challenges (Fu et al., 2019). Risk and uncertainty exist in such businesses as they are based on the desire and motives of the people (Ratten, 2019). Like other entrepreneurs, tourism entrepreneurs possess entrepreneurial attributes (risk-taking, openness to innovation and hard work, ambition, and proactive attitude) (Ratten, 2019). A tourism entrepreneur creates enterprises willing to bear the business's risks and uncertainties (Solvoll et al., 2015).

The tourism sector is a fast-growing sector in the global economy. Further, small tourism businesses are a platform for entrepreneurial innovation and product development (Ateljevic, 2009). This industry offers an attractive opportunity to develop new service-industry enterprises and to create regional employment. In developing countries, many informal economies' service providers earn their livelihoods from tourism (Damayanti et al., 2018). For instance, the street vendors selling food to the tourist, the small guest house in the rural part of the country, and the beach boy who wanders around tourists as serve a guide. Such a survival strategy benefits the community directly or indirectly (Damayanti et al., 2018). The study in Peru suggests that such activities employ two-thirds of the population (Damayanti et al., 2018). Meyer and Meyer (2015) also explain that tourism promotes economic development and alleviates poverty as an alternative to other sectors, such as industrialization in developing countries. This implies that tourism encompasses transport, hospitality, visitors, and gaming services, making it the largest service industry (Hollick & Braun, 2005). However, the performance of the tourism industry is dependent on various factors. These include venture capital availability, involvement of experienced entrepreneurs, accessibility of suppliers and customers or new markets, favorable government policies and other facilities and support services (including transportation), availability of land, a receptive population, availability of reasonably priced labor, and low prices (Lerner & Haber, 2001, p. 80).

Moreover, WTO (2002) identified tourism development as essential for economic development. It provides opportunities to poor, marginal, and remote areas for employment, changing lifestyle, and income generation for the locals because tourists travel to the destination (Croes, 2014). Small businesses in the tourism industry confront several difficulties, such as poor managerial skills, restricted access to knowledge in key disciplines and lifestyle factors, a lack of external funding, and an unfavorable institutional regulatory environment that hinders firm expansion and new entrance (Ateljevic, 2009). Additionally, external financing access is a substantial obstacle for SMEs in developing nations (Beck & Demirguc-Kunt, 2006). The tourism industry experienced a sharp revenue fall during the pandemic (Uğur & Akbıyık, 2020). International, regional, and local travel restrictions, quarantines, lockdowns, social distancing, canceling, or postponing events or conferences have affected the national economies, including international travel, domestic tourism, and day visits. It directly impacts air transport, public transport, accommodation, and hospitality services (Gössling et al., 2020). The report from the UN (2021) explains

that the tourism industry in developing countries has been hit hard by the pandemic. There is a 60-80 percent reduction in tourists in 2021 (United Nations, 2021).

2.2 Financial capital

Financial capital is crucial for entrepreneurship (Cetindamar et al., 2012). Many scholars consider access to financial capital a critical aspect of entrepreneurship (De Bettignies & Brander, 2007; Kim et al., 2006). Financial capital is essential to entrepreneurship because a lack of finance can constrain entrepreneurs from pursuing innovative ideas and may cause failure in many start-up companies (Bruno & Tyebjee, 1985). Marlow and Patton (2005) argue that more finance access stimulates entrepreneurship. A larger amount of financial capital allows the entrepreneur the flexibility to undertake different strategies and manage the businesses (Pena, 2002). Financial capital is relevant to entrepreneurship because limited access to capital is often blamed for preventing potential entrepreneurs from pursuing innovative ideas and causing a high failure rate in many start-up attempts (Bruno & Tyebjee, 1985).

There is a wide range of financial options for SMEs, including internal sources such as owners' savings (Wu et al., 2008) and informal sources like family and friends (Abouzeedan, 2003) to trade credit, venture capital, and angel financiers (He & Baker, 2007) and the formal external source represented as financial intermediaries such as banks, financial institutions, and security markets (Chittenden et al., 1996). It is found that the tourism business is likely to be closed in five years of operations because of a lack of finance and the management skills to acquire the finance from the formal sectors (Jaafar et al., 2011). Nikraftar and Hosseini (2016) highlight the role of social ties and networks in accessing financial resources and recognizing opportunities. Tourism entrepreneurs can explore and exploit innovation opportunities within social networks (Nikraftar & Hosseini, 2016).

2.2.1 Access of finance to SMEs

There is increasing interest in academicians and researchers to study the accessibility of finance in small and medium enterprises (Osano & Languitone, 2016). Although the researchers have attempted to cover many areas, including Asia, Africa, and South America, only some studies have focused on developing countries (Cook, 2001).

SMEs dominate developed, emerging, and developing economies (Harvie et al., 2013). Small and Medium Enterprises (SMEs) are many countries' national and regional development actors (Keskgn et al., 2010). SMEs are the major contributors to job creation and economic development, employing 50% of the formal workforce (Ayyagari et al., 2007). SMEs represent 90% of businesses and 50% of employment worldwide (World Bank, 2021).

In developing countries, SMEs are more important than large businesses because of having the capability of quick adaptation, less working capital, low cost of management, cheap production, and labor-intensive (Keskgn et al., 2010). Small and medium enterprises face financial obstacles such as collateral requirements, bank paperwork, the need for a special connection with bank staff, and banks' lack of lending resources (Beck, 2007). Also, small firms face the problem of export, leasing, and long-term financial requirements, which are significant constraints for small and medium enterprises in developing countries (Beck, 2007). SMEs are less likely to access formal finance, and size, age, and ownership are the firms' financing obstacles. It was found that the larger, older and foreign-owned firms report a lower level of obstacles (Beck & Demirguc-Kunt, 2006). Firms in countries with higher institutional development have lower financial barriers than those with lower levels (Beck & Demirguc-Kunt, 2006). World Bank (2002) explains that the banking sector is multiplying in numbers, but the financial system has not yet reaped. Beck et al. (2005) argued that growth obstacles have a lower effect on firm growth in countries with better-developed financial and institutional development. Therefore, the entrepreneur faces the challenge of the firm's growth concerning acquiring financial assistance from formal financial institutions.

SMEs have less access to finance than larger firms and face higher transactions cost and risk premiums (OECD, 2018). The International Finance Corporation (IFC) estimates that 60 million firms, or 40% of SMEs in developing countries, have an unmet financing need of 5.2 trillion annually (World Bank, 2021). Generally, SMEs are funded by their own friends and family funds due to the challenges in bank financing (Osano & Languitone, 2016). According to the report of OECD (2018), non-banks, credit unions, and cooperatives provide the bulk of the credit to SMEs. A survey of 91 banks in 45 economies shows that SMEs in developing countries are less exposed to bank credit with high fees and interest rates OECD (2018). After examining the Enterprise survey report of the World

Bank based on SMEs in 119 developing countries, it was found that the major obstacle for SMEs includes access to finance. Most entrepreneurs prefer internal financing, and those interested in external financing face constraints like high-interest rates, complex documentation procedures, and high collateral requirements (Wang, 2016). SME operators are liable to get external finance through relationship lending. Through personal contacts, SMEs can get financing with lower credibility, financial ratios, and profit based on the relationships (Berger & Udell, 1998, 2006). Bank-borrower relationship or relationship lending can bridge the gap of information asymmetry and helps in acquiring finance for SMEs (Berger & Udell, 1998, 2006). Ardic et al. (2012) found that it is complex for SMEs to get long-term loans from commercial banks for reasons like difficulty in proving creditworthiness, small cash flows, inadequate credit history, high-risk premiums, underdeveloped bank-borrower relationships, and high transaction costs.

2.2.2 Accessing finance for TSMEs

Tourism-related SMEs in developing and developed countries are a rapidly expanding sector and a major source of employment generation (Ateljevic, 2009). According to the resource-based theory, firms tend to grow and continue with the availability of resources (Andersen & Kheam, 1998). TSMEs face numerous difficulties because of both internal and external reasons. Internal reasons like managerial weaknesses, limited access to expertise in a business discipline, lifestyle motivations, lack of skills, and external reasons like limited access to finance and an unfair institution's regulatory environment prevent business growth and entry (Ateljevic, 2009).

Accessing finance is one of the constraints for small and medium enterprises (Beck et al., 2005). O'Rourke (2017) highlighted two reasons for limited access to finance in the tourism industry, i.e., the size of the business and inconsistent income pattern. In the tourism business, accessibility of finance is mainly focused on larger enterprises (big hotels, big resorts, big tourism industries), and smaller enterprises fail to have the same level of access. It is because larger firms have the potential to be quoted on the capital market, and larger firms are more likely to be visible to foreign investors (O'Rourke, 2017). Therefore, the big resorts are more likely to get financial access than the smaller tourist shop or guest houses.

Further, TSMEs lack flexibility for debt financing due to the inconsistency in the income pattern. The seasonal nature of the tourism business makes the income fragile, which does not make formal institutions willing to provide finance (O'Rourke, 2017). Therefore, appropriate financing options for the small tourism operator are equity rather than debt financing (O'Rourke, 2017). As institutional voids are mainly seen in developing countries, relying on the support of network partners is more valuable for tourism entrepreneurs (Soluk et al., 2021). The network partners can provide the resources for the entrepreneurs to scale up the business (Soluk et al., 2021).

While it is complex to access the finance for TSMEs, it might be even more challenging during a crisis. For instance, due to the global financial crisis, tourism spending decreased, resulting in declining income inflows. Moreover, the price of assets and wealth also decreases worldwide. This global crisis declined the ability of the tourism entrepreneur to fund debt or investment (Sheldon & Dwyer, 2010). This scenario can relate to the recent global pandemic that results in economic downfalls. The effect of the pandemic on accessing finance is yet to be studied.

2.3 Effects of pandemic on TSMEs

The worldwide spread of the pandemic has severely affected the global economy. Small and medium enterprises suffered severe effects on both the demand and supply sides (Zeidy, 2020). On the demand side, there was a decrease in the demand and revenue, which led to liquidity shortages. On the supply side, there was a labor shortage, increased absenteeism, and disruption in the supply chain in SMEs (Zeidy, 2020). Safety measures recommended by World Health Organization (2020), such as quarantine, social distancing, and isolation, have increased safety among the people. However, it is economically painful for the companies (Adolph et al., 2021). According to a survey conducted on 1000 companies on four continents, it was found that 70% of SMEs had to shut down their operations, among which 50% were temporarily closed due to the instructions from the authorities, and 50% were closed due to the fall in orders, infection among employees (ILO, 2020). Fernandes (2020) clarifies that the global pandemic has severely affected economies. According to a survey in May 2020, there were unprecedented external shocks in SMEs of European economies (Juergensen et al., 2020). For example: In the UK, 41% of SMEs stopped their operations; in Germany, 50% of SMEs had adverse outcomes, and

Italy accounted for 70% of the direct effect on SMEs due to the crisis. The situation is similar in most European countries (Juergensen et al., 2020).

In a developing country like Sri Lanka, SMEs are becoming financially fragile. They need more income inflows to pay staff salaries (Robinson & Kengatharan, 2020). Moreover, SMEs in Sri Lanka are encountering challenges such as shortage of materials, decrease in demands on both global and national scales, difficulties in repaying loans and interest, problems paying payroll and utility bills, limitations in recalling the employees back to work, lack of receiving new orders (Robinson & Kengatharan, 2020). The service-oriented economies like Greece, Portugal, and Spain (more than 15% of GDP from tourism) are severely affected and have jobs at risk (Juergensen et al., 2020). Regional to national lockdowns and suspension or cancellation of tourism and hospitality services result in the crash of the tourism sector. The COVID-19 pandemic has been estimated to be nine times more devastating than the impact of the September 11 crisis; the economic revenue loss was enormous, at around USD 124 billion in 2020 alone (Huynh et al., 2021). Multiple lockdowns were a severe problem for the tourism industry. During the first lockdown, the tourism and hospitality services were closed, resulting in a loss of revenue and employment. With the second and third waves of the pandemic, estimating the economic recovery of tourism and hospitality services took time to anticipate (Huynh et al., 2021). Huynh et al. (2021) suggest that timely policies and supportive measures from the government and stakeholders help to prevent bankruptcy and lower the impact of a pandemic on the tourism industry.

2.4 Role of government

Government plays a vital role in developing business ventures (Lerner & Haber, 2001). Tourism, "Whether the touristic development is encouraged or blocked depends very much on the government's policy" (Lerner & Haber, 2001, p. 81). Kubickova (2016) identifies two major factors for the government's involvement in tourism development. First, only the government can create a conducive environment for the tourism industry to compete. The government policies address all the economic, societal, environmental, and educational values to strengthen the pull factor. Moreover, the government has the legitimate power to offer security, political stability, legislation, and a financial framework to enhance tourism development (Kubickova, 2016).

The tourism sector is sensitive and highly influenced by external factors like political instability and social and economic risks, and the environmental and covid-19 outbreak in 2020 is not an exception (Allaberganov et al., 2021). The countries began to impose travel restrictions, lockdowns and shutdowns, and quarantines to the safety of the viral outbreaks that severely affected the tourism sectors. With these travel restrictions and border controls, the number of travelers declined, affecting the lives of all the people associated with the tourism business (Allaberganov et al., 2021). Tourism-related businesses, like hotels, airlines, and restaurants, witness lower demand resulting in lower income inflows (Allaberganov et al., 2021).

It is believed that the first year of the pandemic will be challenging for the tourism industry due to the shrinkage in demand (Assaf & Scuderi, 2020). The industry might not look the same post-pandemic, and there is a role that government should play in recovery efforts (Assaf & Scuderi, 2020). World Travel and Tourism Council encourages governments to formulate policies and programs that support the struggling tourism and hospitality sector. Moreover, WTTC emphasizes protecting the livelihood of the workers in this industry and laying out financial stimulus for the companies and businesses affected by this crisis (WTTC, 2020). Many governments and agencies have used measures like communication with the industry, subsidies, and improved healthcare monitoring to restore the tourism and hospitality industry (Allaberganov et al., 2021). For instance, the study in Uzbekistan reveals that the government takes the initiative to provide financial incentives through tax holidays and loan repayment to support the tourism sectors. Moreover, the government's implementation of safety and sanitary measures help the sector to win the trust of the tourist to help the tourism business (Allaberganov et al., 2021).

Government plays an essential role in the survival of the tourism and hospitality sector, and its survival is of utmost importance. The survival of this sector will rejuvenate, promote the destination image, and brand the country as a world tourist destination (Allaberganov et al., 2021). Marketing the destination image and branding are essential ingredients to the growth of the tourism industry (Lam & Ryan, 2020).

2.5 Social capital and entrepreneurship

Social capital is the key to entrepreneurial success, focusing on the network structure's aggregative effects (Lindvert et al., 2017). Social capital derives from the networks that benefit individuals and firms in different forms (Anderson & Jack, 2002). In a paper, Alvedalen and Boschma (2017) identify the significant benefits of social capital, including the following:

- Identification of the opportunities,
- Knowledge of opportunities and technology spillovers,
- Acquiring financial capital,
- Trust to reduce market costs,
- Sharing of entrepreneurial skills and advice within the networks between entrepreneurs and mentors,
- Accessing a working talent,
- Accessing the new market, customers, and suppliers,
- Collective learning capacity because of local network mainly from informal social relationships,
- Enhances entrepreneurs' ability to create global commercialization strategies.

The use of social capital helps in increasing goodwill, Trust, and the exchange of information (Lindvert et al., 2017). Therefore, social capital is a network of formal or informal relationships that is part of the trust, facilitating synchronized behaviors. Network relationships benefit individuals, organizations, and firms to ensure business success. It is more applicable for developing countries with a high network dependency to assess financial capital.

Entrepreneurship and social capital are different concepts, but the latter supports the former (Doh & Zolnik, 2011). The networks with trust and cohesion foster information flow and reduce the risk of investment in innovation. Moreover, whether they are connected directly or indirectly, they provide the social, financial, and human capital to foster entrepreneurship (Doh & Zolnik, 2011).

Entrepreneurship is the means for economic and social benefits. Although entrepreneurs are critical for economic contribution, how they operate the business still needs to be determined (Cope et al., 2007). Since the 1980s, the importance of social contacts and networks to entrepreneurship and entrepreneurial performance has been widely recognized (Cope et al., 2007). Since economic activity is rooted in society, entrepreneurs develop

social capital through building networks. Networks provide external sources of information, financial support, discovering opportunities, and courses of action (Cope et al., 2007). Networks generally start from personal contacts like family and friends (Internal networks) and exceed far with time. However, External networks are equally important as they involve more formal contractual arrangements, including strategic alliances with other companies. These ‘weaker’ ties allow the individual to reach outside his or her immediate contacts to secure a more comprehensive range of information (Lechner & Dowling, 2003).

Understanding social capital is crucial for understanding entrepreneurial processes. It addresses the weaknesses of the institutions that prevent an entrepreneur from starting a business. The roles of formal institutions in developed and developing contexts are different (Escandon-Barbosa et al., 2019). Accessing credit from formal institutions in developing countries is limited depending on the type of activity, the amount necessary to start the venture, and the risk associated with the business (Beck & Demirguc-Kunt, 2006; Escandon-Barbosa et al., 2019). Therefore, entrepreneurs tend to start their businesses using their capital, given the limited credit offered by formal institutions for entrepreneurship (Escandon-Barbosa et al., 2019). In emerging economies, social networks are the most valuable resources facilitating knowledge on when and where to start an entrepreneurial activity.

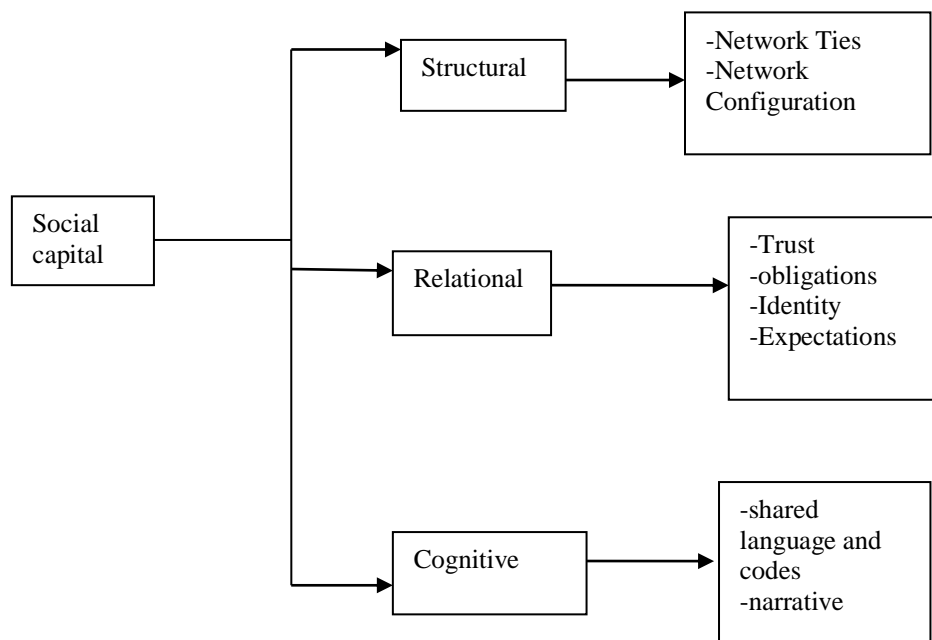
Further, it helps in finding available human and financial resources. Social networks help decrease the difficulties in starting a business, increase the availability of resources, and discover new opportunities (Escandon-Barbosa et al., 2019). Social networks can be an accessible source for starting and expanding a business. High levels of social capital can reduce transaction costs between actors, search and information costs, bargaining costs, and decision costs.

2.5.1 Dimensions and types of social capital

It is essential to know about the social capital dimensions to explain the extent to which social networks are beneficial. Putnam (2000) explained bonding and bridging social capital based on a different degree of socialization. Bonding social capital focuses on people with the same background (family, friends, ethnic or religious groups), and

bridging concentrates on the association of people from cross section society (other religions, organizations, ethnic groups) Knack and Keefer (1997). Knack and Keefer (1997) explained bridging social capital as an association with voluntary associations. Such voluntary associations include religious or church organizations, educational, cultural, art, musical activities, youth work, and sports, extending an individual's networks apart from families (Beugelsdijk & Smulders, 2003). Bonding social capital involves trust and reciprocity in closed networks, whereas bridging social capital involves the cross-cutting ties that comes from a positive experience with dissimilar group sharing similar characteristics, attitudes, or behaviors (Coffé & Geys, 2007)

Putnam (2000) points out that bridging social capital is hard to obtain but essential for maintaining healthy public relations in a diverse society. Granovetter (1973) explained the social networks based on ties that contributors develop. Granovetter (1973) describes the relationship between family, friends, and religious or ethnic groups as strong ties and relationships with distant individuals as weak ties. Strong ties maintain the family networks (bonding social capital), and weak ties bridge the family networks, add to the diversity, and open the door for new opportunities (Kopren & Westlund, 2021). Entrepreneurs' networks connected through weak ties provide valuable information and resources to manage their businesses (Granovetter, 1973)



Source: Nahapiet and Ghoshal (1998)

Figure 2.1: Sources of social capital

In the figure, three different dimensions of social capital are discussed. First, the *structural dimension* of social capital includes the overall connection among the actors within the

social networks (Nahapiet & Ghoshal, 1998). Several interactions of an actor (network size) (Claridge, 2004; Narayan & Cassidy, 2001), the actor's position in the network (centrality), indirect or unrelated connection in the network (structural holes), and cohesiveness among the actors within networks (tie strength) are the critical components of structural dimensions (Zheng, 2010). The most crucial factor in this dimension is the presence/absence of the network ties and network configuration. Ties are the source of interaction and social exchange closely related to the flow of information and resources. For instance, the stronger the network ties, the potential for getting the resources and information within the network relationships (Nahapiet & Ghoshal, 1998). A high level of cohesiveness and centrality lies in the bonding or strong ties that ensure communication and exchange of information (Lee, 2009). Frequent communication with all the network actors can ensure financial support, reputation, and legitimacy (Shane & Cable, 2002). Connection with unrelated actors (structural holes) can facilitate bridging weak ties and helps the organization grow (Lee, 2009).

Nahapiet and Ghoshal (1998) define *relational social capital* as the transmission of best practices among and between business actors. Trust, identity, obligations, and expectations are the four best practices in relational dimensions. Trust facilitates the exchange of resources and information, and identity within the network can increase the sense of belonging and mutual sharing among the network actors. Obligations are the committed focus, and expectations are the anticipation. Bonding networks with strong ties have a high level of trust, identity, and similar levels of emotional intimacy that help develop self-esteem, reputation, and status attainment (Lee, 2009).

Cognitive social capital is a dimension that fosters social relations. Social relations are long-term when the communication is meaningful and facilitates the shared understanding between the actors. Shared language, codes, and narratives among the actors can facilitate synergy. Shared language can help establish the appropriate conversation patterns, and shared narrative can help exchange information (Nahapiet & Ghoshal, 1998).

2.6 Essence of social capital

It has been highlighted in various studies that accessing credit from formal institutions is a major constraint for small and medium-sized entrepreneurs in developing countries (Beck, 2007; Beck & Demirguc-Kunt, 2006; Osano & Languitane, 2016). Beck (2007) further

explains that accessing credit is one of the constraints for about 30% of small and medium enterprises in developing countries. Financial institutions fulfill only 10% of the financial needs of small and medium enterprises compared to larger firms (Beck et al., 2005). An SME survey in Ghana shows a 42% chance of accepting SME loan applications from formal institutions (Quartey, 2003). A small or sole trader typically relies on personal financial wealth, inherited parental property, and real estate holdings as collateral for business and working capital (Henley, 2005). Ayyagari et al. (2007) found that finance is a major constraint for 36% of small firms, 39% of SMEs, and 32% of larger firms around the globe. In such a situation, the small and medium-sized business should finance their companies through their personal savings, family or social contacts, or use bank-borrower relationships to get credit from the bank (Escandon-Barbosa et al., 2019). Social networks are used for accessing resources, exchanging information, and sharing ideas for starting or expanding a new venture (Zhao & Li, 2006).

Social networks are built based on friendship, kinship, and geographical closeness, allowing an entrepreneur to get cheap and fast information on the market (Putra et al., 2020). High social capital increases entrepreneurs' ability to identify new trends, which could help them develop new products. Moreover, support from family members, parents, and business partners helps build an entrepreneur's confidence (Putra et al., 2020). A study in China suggested the importance of interdependent networking behavior (*guanxi*) while doing business. Guanxi plays a vital role, while formal institutions complicate financing. Guanxi is a powerful mechanism for obtaining resources, information, or support from business executives when facing business challenges (Talavera et al., 2012). In developing countries, social networks are essential for accessing resources where entrepreneurs expect support from their contacts (Solano & Rooks, 2018). Entrepreneurs in developing and developed countries can obtain various resources such as information, finance, and emotional support from their social connections (Solano & Rooks, 2018). Therefore, social networks act as an alternative source for funding small and medium enterprises when the bank rejects or denies offering credit to the micro-entrepreneur.

2.6.1 Impact of pandemic on social capital

Extensive and prolonged physical distancing can cause a decline in social capital. Communication is more confined to family, close friends, and relatives (Pitas & Ehmer,

2020). Online social capital is emerging. Digitalization played an essential role in that period. All the sectors used remote networks; for instance: working from home, online learning became the new normal strategies (Nugroho, 2020). Pitas and Ehmer (2020) explain that online and offline social capital are two distinct phenomena, and online social capital is yet to get scholarly attention (Pitas & Ehmer, 2020). Digital communication platforms reinforce existing relationships, bridging, and linking interactions (Rajapakshe et al., 2020). Facebook chat, zoom, Instagram, and emails became the favored medium for communication for personal and professional means (Rajapakshe et al., 2020). The study by Pitas and Ehmer (2020) suggest that entrepreneurs with strong social capital can recover quickly and sustainably. In China, virtual reality, such as e-learning, e-entertainment, live stream conference, and remote working, was popular during corona pandemic. The Chinese tourism entrepreneur focused on social media promotional activities during the lockdowns and pandemic. The entrepreneurs keep in touch with the customers through social media and live stream conferencing (Lau, 2020). Social capital is an effective tool to mitigate the impact on businesses during the pandemic (Putra et al., 2020).

2.7 Conceptual framework

This thesis tries to highlight how the entrepreneurs manage the finance during the pandemic. Developing countries are more likely to be face challenges for getting the credit from formal institutions (Khanna & Palepu, 2010). This suggests that there is limited flow of bank credit to SMEs. Further, with the imposition of the safety measures like travel restrictions and lockdowns, declined the ability of the tourism entrepreneur to fund debt or investment (Sheldon & Dwyer, 2010). With the limited exposure to bank's credit (Beck & Demircuc-Kunt, 2006) and stricter government regulations, the SMEs seek for the alternative funding source i.e social capital. The network partners help in providing access to capital and information. During the time of pandemic, the government plays the role for uplifting the sector. By identifying the obstacles that entrepreneurs are experiencing, it provides the government with understanding how could they facilitate the entrepreneurs and create conducive environment. Social capital will be used as a alternate source of funding the businesses. As presented in figure 2.2, the research model will be used to answer the research question:

How did the tourism entrepreneur access finance during the pandemic?

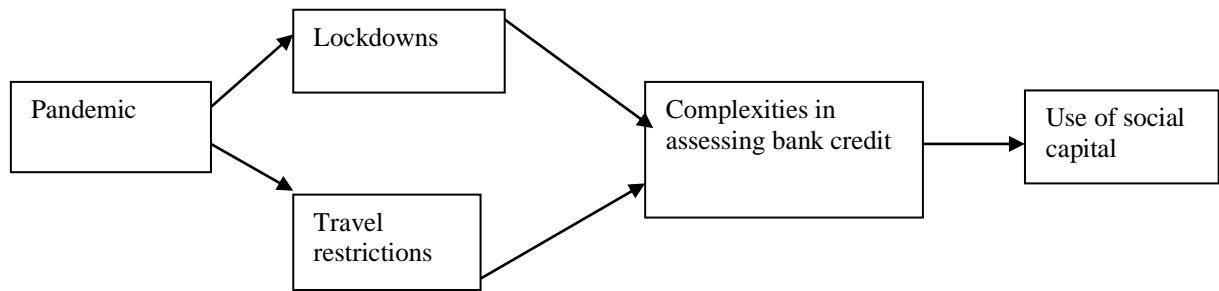


Figure: 2.2 Conceptual framework

Chapter 3

Methodology

In this chapter, the methodology used for this research will be presented. Firstly, the context of Nepal has been presented along with financial access to SMEs. It highlights the research approach used, research design, data collection techniques, data analysis techniques, and some ethical considerations followed while doing this research. Further, the time frame used is also discussed.

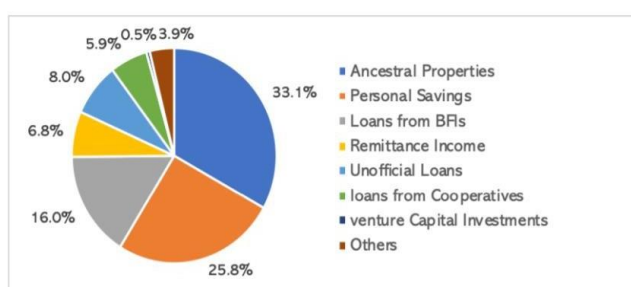
3.1 Introduction to the context of Nepal

Nepal lies in the Asia continent towards the southern slopes of the Himalayan Mountains ranges. It is diverse in geography, language, culture, traditions, climate, and weather. The diversity in various aspects ensures the future of the tourism sector in Nepal. According to the World Travel and Tourism Council report (2021), GDP contribution from the tourism sector around the globe decreased from 10.4% to 5.5%. This figure accounts for (-3.7%) global economic changes in 2019 and 2020. However, in the context of Nepal, the GDP decreased by 3.1% of the economy from the travel and tourism sector (WTTC, 2021). The report shows the Pandemic as one of the primary reasons for the decrease in the tourism sector. While highlighting the tourism sector, it is essential to highlight how the tourism industry accesses the financial capital for their business.

3.1.1 Access to financial capital for SMEs

Financial capital is essential for business in daily operations and long-term perspectives. According to Nepal Rastra Bank (2021), 175 financial institutions, 132 licensed BFIs, and 10,882 branches of BFIs provide finance to small, small and medium, and large enterprises. The primary source of capital for start-up SMEs and the proportion of SME loans from various banks and financial institutions have been shown in Figures 3.1 and 3.2, respectively.

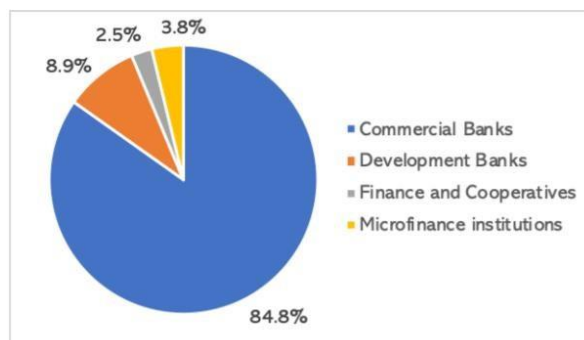
Figure 3.1: Sources of capital to finance for start-up SMEs



Source: NRB, SME Financing Study Report 2019

Adapted from ESCAP's MSME Financing Series No. 3

Figure 3.2: Proportions of SME loans from Various banks and financial institutions



Source: NRB, SME Financing Study Report 2019

Adapted from ESCAP's MSME Financing Series No. 3

According to Nepal Economic Forum (2019), SMEs contribute 40% of the GDP and 60% of total employment in Nepal. The financing for the SMEs includes:

33% from the parental property, 26% from personal savings, 16% of loans are from banks and financial institutions, 7% from the remittance, 6% from unofficial loans from cooperatives and 0.5% from venture capital.

Only half of the SMEs have taken loans from the bank and financial institutions, paying a 12.51% of interest rate and 1% of service charge for the loan taken from banks. The primary reason for getting loans from banks and financial institutions are hassles in loan processes, high-interest rates, and lack of collateral. The majority need an idea about the existence of SME loan programs, reflecting that the significant portion of the capital generation for Nepalese entrepreneurs is social capital that can include bridging or bonding social capital.

The figure implies that most financial resources are obtained either through their family or savings. It highlights those social networks are essential for acquiring financial resources. Despite having numerous financial institutions, there still needs to be more social ties for resource acquisition.

3.2 Research approach

Saunders, Lewis & Thornbill (2009) developed the research ‘onion’ model to organize the research methodology. Researchers should start from the outer layers of research philosophies, approaches, strategies, choices, and time horizons to reach the center. This model also gives ideas regarding data collection techniques and analysis procedures (Saunders et al., 2009, pg-107). This study uses the “onion” model to organize the research methodology.

It is essential to choose the research methods while conducting research. Appropriate choice of method helps in providing better insights. Saunders et al. (2009, pg-123-128) distinguish between two different approaches: Inductive and deductive approaches. The deductive approach relates to assessing the theories, whereas the inductive approach aims to analyze the phenomenon. The data collection is used to analyze the phenomenon and reflect upon the theoretical themes suggested by Saunders et al. (2009). For research on a new topic, it is more convincing to work inductively by analyzing the data and reflecting themes based on the data (Saunders et al., 2009, p. 127).

The pandemic is unprecedented, affecting the tourism industry tremendously, especially in low-income countries. It involved the tourism entrepreneurs in managing the financial capital. With the limited literature on this topic, the inductive approach is appropriate for this study to analyze and reflect on the data. This research will be based on primary and secondary data before reflecting on the theoretical theme.

3.3 Qualitative research design

Research design is how the research question would be answered (Saunders et al., 2009, p. 136). This section discusses the plan and research tactics (Saunders et al., 2009, p. 136). The choice of strategies, data collection techniques, and analysis procedures before considering time horizons, research credibility, and ethics are defined (Saunders et al., 2009, p. 136).

Explanatory research methods emphasize studying the problem or situation and explaining the causal relationships among the variables (Saunders et al., 2009, pp. 136-139). This study examines the role of social networks in accumulating financial capital during the pandemic. The tourism sector has been prioritized as the study area. Therefore, an explanatory study is suitable for this study.

Qualitative or quantitative methods are generally used for the research. The main differences are that quantitative methods use questionnaires and generate measures that are reliable, generalizable, and unbiased (Steckler et al., 1992). In the qualitative study, researchers gather information through ethnographical studies, interviews, participating in activities, and analyzing the available documents (Steckler et al., 1992). Qualitative methods depict the insider's view of the group under study (Steckler et al., 1992). Unlike quantitative, qualitative methods are less structured and based on less empirical data. It involves in-depth interviews with experts rich in information in the study area and gathering as much knowledge as possible (Steckler et al., 1992). In this thesis, tourism entrepreneurs in Kathmandu Valley are interviewed. The effect of a pandemic on resource acquisition has been highlighted. This thesis tries to elicit the "tourism entrepreneurs" view during the pandemic, making the qualitative method appropriate for answering the research question.

3.4 Case study method

Based on the research methods the researcher uses, it is essential to choose the genre specific to the method used (Njie & Asimiran, 2014). (Robson (2002) in (Saunders et al., 2009, pp. 145-147)) explains the case study method as a strategy that involves an empirical investigation of particular events within a real-life context using multiple sources of evidence that provide in-depth knowledge about the phenomenon, events, or process (Njie

& Asimiran, 2014). Further, Yin (2014) explains the case study method as a “linear and iterative process” that provides practical and technical discussion on each aspect of the case study research: plan, design, preparation, data collection, analysis, and reporting (Yin, 2014, p. xxii). Leedy and Ormrod (2005) highlight that case study methods are suitable for getting more profound insights into the events or persons that are unknown or poorly understood. In this thesis, the problem faced by tourism entrepreneurs during the pandemic is highlighted. It explains their funding source, the government’s support, and the challenges faced during the pandemic regarding resource acquisition. Therefore, the case study is a suitable method to explain the situation in detail and get a more profound insight into tourism entrepreneurship in the Nepalese context. A case study method is mainly used in exploratory and explanatory research and can generate the answers by incorporating single or multiple case studies (Saunders et al., 2009, pp. 145-147)). Since this is explanatory research, the case study method is more relevant for answering the research question.

Moreover, this study considers various cases to know whether the findings in one case also occur in others. Several tourism entrepreneurs are interviewed to understand the real-life context and their struggles during the crisis. The data collection for this thesis lasted from December 2022 to May 2023, with limited research time. Therefore, it is a cross-sectional study to learn about specific events at a particular time.

3.5 Data sources

A literature review was conducted to determine previous research in tourism entrepreneurship, financial capital, and social capital. Reviewing the previous works helps in critically discussing and referencing, drawing the essential key points, and logically presenting them. Further, it helps highlight the areas where we can provide fresh insight (Saunders et al., 2009, p. 98).

Secondary sources are existing data and research like statistics and articles that give insights into the research. Using search engines like Google Scholar gives access to many articles for the study. The use of keywords like "access to finance," "tourism entrepreneurship," "pandemic and social capital," and "role of social capital" gave access to different journals and articles for this research. Further, access to journal and articles were easy through Oria (Nord University). Apart from this, using Google to access the

statistics from the Tourism Board of Nepal and some articles helped to figure out the entrepreneurs' actual life situation. It also highlighted the attempts made by the government as well. It helped clarify the research objective and the value added to tourism entrepreneurs.

Primary data sources include (notes from interviews, telephone interviews, documents, and recordings) from interview participants who have been in a real-life context and have more profound knowledge of the field of study (Saunders et al., 2009, pp. 150-153). The information was acquired from various tourism entrepreneurs of Nepal and representatives of the TAAN, who deeply understood this sector from different perspectives.

3.6 Semi-structured interview

One of the characteristics of qualitative research is the interview. The interview is a straightforward way to gather detailed and rich data regarding a particular study area (Barrett & Twycross, 2018). Semi-structured interviews have been selected for collecting the primary data. Semi-structured interviews ensure the capture of data and provide the flexibility for the participants to bring their personalities and perspective into the discussion (Barrett & Twycross, 2018). In semi-structured interviews, the interviewer can ask multiple questions to get detailed knowledge, and the participants can answer the questions using their own words. Such interviews give a better understanding of the research question (Fylan, 2005).

All the guidelines by Saunders et al. (2009) were followed during the interview. The interview started with the introduction and the research purpose, how the data would be used, and the voluntary nature of the interview. Further, there was an explanation of the confidentiality of data and how anonymity would be secured. Meanwhile, the interviewer also informed the participants that they had the right to leave the interview at any time without any reason.

3.6.1 Selection of informants

This thesis intends to obtain in-depth knowledge from the tourism entrepreneurs in Nepal using the qualitative method. This study highlights the challenges tourism operators face during the pandemic and the role of social capital in accessing funds during such an unprecedented event. It is essential to select the informants wisely since interviews are the

primary source of data collection. The selected informant should be knowledgeable in the tourism field that could answer the research question.

The interview was conducted in Nepal, mainly with the entrepreneurs operating in Kathmandu Valley. The informants selected had a long experience working in the same field. The companies selected were all established before the pandemic occurred. Since the study tries to see the effect of a pandemic, it was necessary to select companies established before the pandemic. Further, to make the study more reliable, some newly established and some old companies were considered. Such an attempt helped get deeper insights from the younger firm's and older firms' perspectives because the effect may differ for new or old companies.

Moreover, two representatives from TAAN and TGAN were selected to clarify the situation of the tourism during the pandemic. Those representatives are also an entrepreneur. Thus, interviews with them made the study more comprehensive and detailed. All the interviews were face-to-face interviews with experts in this field. This thesis does not include the company or informant's names to ensure anonymity.

Pseudonyms has been used for both company and the informants. Use of pseudonyms can help the reader to follow the text and ensure the informant's right for privacy and confidentiality. The overview of the informants is presented in chapter 4.

Table 3.1: list of informants

Informants	Gender	Age	Type of business	Representative or entrepreneur	Years working as entrepreneur	Monthly Funds requirement
Vivek	Male	40-45	Trekking agency	Representative +entrepreneur	20 yrs	Rs. 300000
Ben	Male	30-35	Travel agency (International tourist)	Representative +entrepreneur	14 yrs	Rs 300000-400000
Manoj	Male	45-50	Travel agency (Indian Tourist)	entrepreneur	12 yrs	Rs 250000
Suraj	Male	40-45	Travel agency (International)	entrepreneur	10 yrs	Rs 250000-400000
Prakash	Male	30-35	Travel agency (Asian tourist)	entrepreneur	6 yrs	Rs. 150000
Pradip	Male	40-45	Hotel business	entrepreneur	6 yrs	Rs. 400000
Apshara	Female	25-35	Travel Agency (Indian tourist)	entrepreneur	5 yrs	Rs 150000

3.7 Sampling techniques

Before starting the data collection phase, it is crucial to figure out from whom the data would be acquired and how to acquire it. Two different techniques can be used for sampling: convenience sampling and purposive sampling. Convenience sampling or random sampling is the process of including the members of the population who are willing to respond based on geographical proximity and easy accessibility for study (Etikan et al., 2016). Purposive sampling is the non-random technique where the researcher decides what needs to be known and sets out experienced people who can provide the information for the study (Etikan et al., 2016). It is used in qualitative research to identify and get information-rich cases and utilize the resources and time for data collection (Etikan et al., 2016). This study is based on qualitative research and tries to find deeper insights from the tourism entrepreneurs in Nepal. Hence, purposive sampling is appropriate for this study. Further, this study uses homogeneous purposive sampling methods where the study is focused on tourism entrepreneurs and their life experiences during a pandemic.

3.8 Conducting interviews and data analysis techniques

In order to collect the primary data, a list of informants was approached based on the criteria mentioned above. Potential informants were informed through email or telephone. A consent form was sent to them via email. A consent form included complete information about the project's purpose, privacy and confidentiality, data use, and voluntary participation. The consent form is mentioned in Appendix 2. After receiving the feedback from the informants, face-to-face interviews were conducted, taking the consent one more time and mentioning voluntary participation. All the informants chose to mention their experiences in their own words and language. Semi-structured interviews were conducted between January and February. One purpose of semi-structured interviews is to come close to the informants and ensure they provide as much information as possible within the research theme. Researchers can use different techniques like repeating the questions and using words like why, what next, and how within the question can keep the interview going and ensure the collection of details (Rowley, 2012). An interview guide was prepared, and questions were asked based on the interview guide. Some following questions were asked when needed. The interview was like a casual conversation that had a natural flow.

The most common method of documentation is audio or video recording. Audio recording can help an interviewer concentrate and listen attentively, follow the participant's response, and observe non-verbal cues (Saunders et al., 2009, pp. 338-344). Further, it helps in rapport building, and the interviewer will not have divided attention for note taking that helps focus on the topic (Saunders et al., 2009, pp. 338-344). All the interviews were recorded, assuring the interviewee that the personal data and other information would be protected against abuse. The recording was done on a personal cell phone. The interview lasted for 35-40 minutes. All the recorded interviews were transcribed. All the interviews were conducted in Nepali and translated later into English. While translating the data, one should ensure that the informants' meanings are accurately mentioned (Saunders et al., 2009, pp. 338-344). Since there were no precise words for translating from Nepali to English, transcription of the data needed much work. Those transcripts were stored in the personal computer and one drive application facilitated by Nord University. Such activity ensured that the data were safe and confidential. After the first interview, the interviewer realized that some questions were unnecessary as the interviewee included them without mentioning them. Therefore, adjustment was made to the questionnaire after the first interview and as necessary. Information from the interviews were evaluated and analyzed. Answers related to social capital, financial capital, government support, and the pandemic were connected to the topic, giving a good overview. Further, the essential concepts were condensed into a mini statement (unit of analysis) and mentioned in a table as overall results from the findings.

3.9 Validity and reliability

Validity and reliability are two aspects of good research (Yin, 2018). These aspects assure the researcher that the findings are credible and trustworthy. Qualitative research is not expressed as statistics or numbers, so these key aspects of the research should be administered to explain the quality of the research.

Validity refers to the accuracy and truthfulness of scientific findings (Brink, 1993, p. 35). Qualitative research findings are not based on empirical calculations for validity. Therefore, the researcher must ensure the internal and external validity of the research. Internal validity refers to which the research findings are a true reflection of reality, whereas external validity measures the degree to which the reflections are justifiable

across the groups (Brink, 1993, p. 35). It is recommended to take more interviews until data saturation is reached (Saunders et al., 2009). Using the triangulation approach, both young and old entrepreneurs were interviewed.

Further, the interview with the Nepal tourism association's representative gave the tourism industry's overall experience during the pandemic. Interviews with the tourism representative gave the overall picture of the tourism industry both from private entrepreneurs and the governing body, which made the researcher confident that the data has validity. Moreover, the interviews were conducted until the data saturation was reached.

Reliability is concerned with the consistency, stability, and repeatability of the informant's information and the ability of the researcher to collect and record information accurately (Brink, 1993, p. 35). All the respondents were asked open-ended questions to collect the information comprehensively. All the interviews were recorded and transcribed. Later transcribed interviews were sent to the respondents allowing them to comment to increase the reliability. After transcribing the interview, the researcher focused on keeping accurate interview notes and confirming them with the informants.

3.10 Ethical considerations

As a researcher, following research ethics while doing a research project is essential. Research ethics is concerned with formulating and clarifying the research topic, designing and gaining access, collecting data, processing and storing data, and writing the research project morally and responsibly (Saunders et al., 2009, pp. 181-185). A researcher must adhere to ethical norms and values while conducting the research. While collecting the data, it is vital to inform the informants, take consent, maintain privacy and confidentiality, and further allow them voluntary participation (Saunders et al., 2009, pp. 181-185). As the study area is Nepal, the researcher tried to email the informants and ask them for the participant. The consent form was sent through emails, explaining the purpose of the study, their rights as an informant, confidentiality, and privacy, and how the data would be used and stored. All participants were informed that participation would be voluntary and that all their rights would be preserved. It was mentioned to them that the findings would be presented in the master's thesis from Nord University.

This thesis emphasizes maintaining ethical considerations. This thesis has been prepared per the guidelines published in the fifth edition of The Norwegian National Research Ethics Committees (2021). A proper justification of the choice of topic, context, methods, techniques, and documentation to support the conclusion has been mentioned. This thesis is based on primary data, and the interviews were conducted to ensure informants' rights. Some of the ethical issues were addressed in this paper.

Human dignity and privacy

A semi-structured interview was conducted where the participants were asked to share their experiences, and the researcher had no control over the response. Any jargon or words that may offend the interviewer were not used throughout the interview. Informants were invited for voluntary participation, and information privacy was given importance throughout the process. Verbal consent was taken from the informants before starting the interview.

Informing the purpose

Firstly, the purpose of the study was highlighted in the consent form sent while accessing the informants. Later on, while interviewing them, the interview started by introducing the researcher and explaining the purpose of the study. Further, it was also mentioned that the purpose of this study was to fulfill the educational requirements at Nord University.

Confidentiality and storage of data

As a researcher, s/he must ensure that the data will be treated confidentially. This research ensures that the collected data were processed confidentially with prior participant notifications. The personal telephone of the researcher was used for recording, and all the interviews were transcribed and coded. Such activity ensures the confidentiality of the participants. Data were stored in the researcher's personal computer and one drive application. All the participants were ensured that the data would be protected against abuse.

Chapter 4

Empirical findings

In this chapter, the data collected from the interviews will be presented relevant to the research questions. The chapter starts with the overview of the informants followed by explanation on effect of pandemic on TSMEs, accessing the finance, government support and role of social capital during the pandemic.

4.1 Overview of informants

In total, seven informants were interviewed. The informants selected are diverse in terms of years of experience, age, type of business, business approaches, and capital requirements. The overview of those informants is presented below:

In Kathmandu, Vivek is the proprietor of a hiking company. He also represents the Tourism Guide Association of Nepal (TGAN). He has 20 years of experience in the travel and tourism sector. He began working as a tour guide before starting his own business. If there were a way to receive a pension from this industry, he says, "I would have been retired long ago." Formulating better strategies and regulations for tour guides is his top priority as TGAN's representative, as tour guides are the primary players in the tourism ecosystem.

Young and dynamic businessman Prakash runs a trekking company. Before starting his business, he worked as a potter, tour guide, and administrator. He said, "If you want to know in depth about the field, you should have experience with all the actors involved in the sector." After learning from his experience, he founded his own business. The company primarily caters to Asian tourists from Afghanistan, Bangladesh, China, Thailand, and Bhutan.

Pradip operates a hotel business in the heart of Kathmandu Valley. It was established in 2017. He runs this hotel with three other partners. He is new to this business. He worked as a teacher for more than ten years. Later, he collaborated with his friends to start this hotel. Pradip finds it hard to learn entrepreneurial skills at the beginning of his career. Later, he learned from the experience. He explains that "I made the right decision to take risks." He

has contact with most of the tourist agencies in Thamel. This connection keeps his business going. He is happy with the career transformation.

Manoj was inspired to launch a business by his teaching job. He imparts knowledge to those taking courses in travel and tourism. Hence, he decided to put his understanding of tourism to use. This motivated Manoj to choose to buy a travel business in 2011. He has spent the last 11 years working as an entrepreneur. He also owns the cooperative. His wife supports both his tour agency and his cooperative. He primarily welcomes visitors from India, Bangladesh, and Bhutan.

Ben is a versatile, charismatic person who has excelled in the tourism industry. He has worked in this sector for 14 years, from potter to businessman. Ben owns a travel agency and welcomes tourists from Europe, the USA, and Africa. He loves being connected with people from all around the globe. He mentions that it is an excellent exchange of knowledge, culture, and traditions.

He has recently been nominated as a Trekking Agencies Association of Nepal (TAAN) representative. He finds charm in the tourism industry and works to improve this sector. As a representative of TAAN, he is involved in formulating plans and policies for tourism entrepreneurs. As an owner, he is aware of the challenges among tourism operators. As an actor in the ecosystem, he tries to ease the obstacles by formulating plans that favor entrepreneurs. He mentions, "I wish the younger generation to join this sector and promote tourism." Moreover, he explains that "the sector is the contribution of the tourism entrepreneurs, so we are the ones to promote it."

Apshara is a young entrepreneur who owns a travel agency. She has been an entrepreneur for five years. Her business is mainly concentrated on Nepal-India visits. She offers services for religious holidays for both Nepali and Indians. She mentions, "It is hard to manage the business and household chores." Despite my ability to welcome overseas tourists, I am confined to just Nepal-India religious tours.

Suraj welcomes tourists from all over the world. He has been operating a travel agency. The company was established in 2013 and is in Kathmandu Valley. His friends with bachelor's degrees were the main inspiration behind entering as a tourism entrepreneur. He

explains, "It is my pleasure to welcome the tourists and expose them to our nature, traditions, and Himalayas with great hospitality."

4.2 Understanding the informants' viewpoint

It is essential to understand the viewpoint of the informants before making an analysis. The interview was based on the tourism business and the impact of the pandemic on the tourism business concerning resource acquisition. The discussions try to answer the following research questions:

RQ1: How did the tourism entrepreneur access finance during the pandemic?

RQ2: What was the government support's role in accessing finance during the coronavirus pandemic?

RQ3: How do the social networks fulfill the financing need for tourism entrepreneurs during the pandemic?

The viewpoints of the informants are presented based on the different themes of the study.

4.2.1 Effect of a pandemic on the tourism business

The period of crisis has been challenging for all entrepreneurs. Covid -19 pandemic increased the rate of unemployment, causing the closure of businesses and, ultimately, the economic collapse in all sectors of the economy. The tourism business is one of the least prioritized sectors. Apart from the priority, the governmental rules for lockdown and social distancing discourage tourism. In such circumstances, all the tourism entrepreneurs significantly affected their businesses. When asked about the company's situation during the pandemic, most tourism entrepreneurs explain the negative effect of the pandemic on business. Most entrepreneurs, except Pradip, explain that they faced challenges paying rent, electricity bills, salary, refund of advances, and repayment of loans.

The tourism business encompasses the hotel industry. There has been a negative impact of government regulations during the pandemic. All the hotels and restaurants were closed during the lockdown period. Pradip's hotel fulfilled the general safety requirements to take in the quarantine visitors. Therefore, he did not realize the harsh situation during the pandemic. Pradip cites, "*Even though it was difficult for the hotel owners, we were lucky to make some money throughout the covid period. The Nepalese government included our*

hotel in its suggested hotels for travelers' quarantine. As a result, we had enough income to operate the company. We had a small staff running the business then; the rest were on unpaid leave. For two months, we were fully booked. We could move along with this more easily. Our landlord also provided leverage for us to pay the rent. The situation still needs stability, but we anticipate improving by this year."

Besides the hotel industry, other trekking and travel agencies faced many challenges due to the covid. The major challenge includes canceling previous bookings, resulting in low revenue flow. Negative inflows impact salary payments, advances, loan repayment, rent, utility bills, etc. Both young and old entrepreneurs face similar challenges. However, the condition became worse for the young entrepreneur.

Prakash, who started his business a year before covid, explains, *"I was shocked by that. I questioned what I should do next, how to continue my business, and how long this predicament would remain. I had yet to learn about the ways to continue my business. To continue my business, I started looking for alternatives. To supplement my income during covid, I began providing domestic tourist transportation. Further, after the lockdown was lifted, I got a booking for mountaineering tourists that helped me make some money to keep working in this field. The pandemic derailed my strategy during my first five years of inception. However, I am optimistic because I am getting some reservations."*

However, the situation was slightly different for the old entrepreneurs. Manoj mentions, *"I had funds from my business for such emergencies. During the first lockdown, it was manageable for me. Later it turns out to be challenging. I was prepared for some months, but I never thought it would last for 1.5 years. Even after the lockdown was suspended, I could not get any bookings. The office was open, but the tourism activities were null."*

Further, Manoj exemplifies the situation of regional tourism. He further explains, *"I can imagine how hard it has been for the small hotel operator in the solukhumbu during the pandemic. They lost their main source of income, livelihoods, and living cost."*

With the negative impact of the pandemic on business, Ben noticed the permanent closure of old tourism businesses in the Kathmandu Valley. He cites, *"I do not see old faces of entrepreneurs from Thamel now. I saw their post on Facebook that they moved for foreign employment."* He further mentions, *".....it has been hard for me to get guides, trekkers,*

and other staff to run my business now. Old staff resigned and are abroad in search of employment." Vivek further comments, ".....30-35% of entrepreneurs closed their businesses during the lockdown phase." He added it with the travel restrictions and booking cancellations; it became tough for me to continue the business. I faced challenges paying rent, salary, electricity bills, refunds of advance, auditing, and repayment of loans. Once I made up my mind to close my business." However, after the first lockdown was lifted, apshara continued with the religious visit to India and Nepal. She cites, "As I am mainly doing religious tour packages for Nepali and Indian tourists, I started getting some visitors right after the first lockdown. I could get some revenue out of it for the business." Further, she mentions, "My situation was similar to other entrepreneurs until I got the first booking in Mid-August 2021."

Those quotes from the entrepreneurs exemplify that the pandemic has been challenging for most tourism entrepreneurs. They have faced challenges with managing their business's finances for daily operations. With a low flow of revenue, it has been hard for tourism entrepreneurs to pay salaries, rent, advances, and loans. Due to this, there was an increase in unemployment and layoff rates, ultimately bringing the labor shortage in the market post covid. Many businesses were shut down temporarily and permanently, decreasing the entrepreneurial motivation of potential young entrepreneurs. Better financial regulations and access to bank credit can induce entrepreneurship. The preceding section elaborates on how tourism entrepreneurs access funds during the pandemic.

4.2.2 Accessing financial capital during the corona pandemic

Although the situation is harsh, the business should keep going. Finance is an essential aspect of the company for daily operations and continuity. Depending upon the nature of the business, the tourism entrepreneur requires the amount of Rs.150000-Rs.450000 per month. It has been accounted that accessing finance from the Bank is a significant barrier for tourism entrepreneurs. All the respondents mentioned that they prefer to get bank credit due to lower repayment and interest rates. However, the entrepreneurs explained that getting bank credit is one of the challenging activities. Suraj cites, "*I applied for the bank credit, but it required huge collateral and long documentation procedure. Therefore, I took credit from my family and friends.*" When asked about the overall situation of

accessing finance for the tourism entrepreneur, Vivek cites, *"It has always been hard for us to get the business loans due to the nature of business."*

Moreover, Ben cites, *"Tourism industry is one among the least prioritized industry by the government. There are no special financing regulations for the tourism businesses."*

Further, apshara adds, *"We do not fit into the category of either microfinance or large company. Therefore, I use the parental property as collateral to get bank loans."* Further, Prakash explains, *"Bank seeks income guarantees and previous years records to sanction the loans. For a young entrepreneur, it is almost impossible to get bank credit. I started my business with my savings and loan from my networks."*

When asked about accessing bank credit during the pandemic, all entrepreneurs said it was not accessible to them. During the pandemic, the banks were operated for limited functions. During the first lockdown period, the Bank was operated only for deposit and withdrawal functions. Other functions, like loan sanctioning, were not prioritized. Suraj explains, *"During the pandemic getting a bank loan was impossible since the income was zero."*

Further, Manoj adds, *"During the pandemic, we could not guarantee the bank about repayment, which restricted access to bank credit access."* Furthermore, Ben explains, *"Since banks were aware of the flow of income in the industry, bankers did not prefer to sanction the loans. With the increasing number of business shutdowns, getting the loans was impossible for us."* However, the tourism business continued with the saving and the funds generated from social networks. The government's special role is to support entrepreneurs during the crisis. The role of government is discussed in the next section.

4.2.3 Role of government support

Any sector of the economy can flourish with the better plans and policies of the government. The government's special role is to give hope to all sectors during the crisis. The Nepalese tourism sector had a devastating effect due to the pandemic. The attempt from the government can ease the entrepreneurs and motivate them to continue. The entrepreneurs were asked about the role of the government in the tourism industry before and after the pandemic. During the interview, Prakash mentions, "I think the government

has not prioritized the tourism sector. They do not support tourism businesses. We lack government support for promotions and advertising."

Further, Suraj explains, "*There are no favoring plans and policies to uplift this sector. The representative on the tourism board is focused on fulfilling their own needs. Therefore, there is a mismatch in plans and policies with implementing the strategy.*" Moreover, Ben mentions, "*Instead of expecting support from the government, we have formed an association by formulating the rules and regulations for the betterment of this sector. We are helping each other grow.*" The entrepreneurs are negative towards the governmental supports towards the tourism industry.

While asked about the role of government during the pandemic, Vivek cites, "*I read in the newspaper that the government is supporting the trekkers financially. I never heard my friends getting help from the government.*" Ben adds, "*If someone wants to take support from the government, it requires long documentation procedures. It demotivated the trekkers to take government support. People preferred to go abroad rather than continue with the profession.*"

Furthermore, Suraj explains, "*The funds were in reach for the one close to the government officials.*" As WTTC announced, to help the country's tourism sector, the entrepreneurs expected to have some tax rebates and tax holidays for the entrepreneurs. Despite this fact, tourism entrepreneurs were not provided with such support. However, Prakash explains, "*I was fined for delayed tax payment and auditing.*" He further mentions, "*I am ready to pay 35% of tax instead of 16%, but I expect the government to support me during such circumstances.*"

From these quotes, it is clear that tourism entrepreneurs need more support from the government. They tried to continue their business on their own.

4.2.4 Use of social capital

Tourism business operates despite of lacking support from government. Social networks provide with the resources and knowledge for starting and continuing the business. Most of the entrepreneurs use the funds from their friends and families for starting and continuing the business. Apshara mention, "my husband and my relatives provided me loans while I started my business." Further, Manoj adds, "...there is always a banker

friend who help you in sanctioning the loan. Despite of low collateral, I got loan for the business based on our friendship.” Moreover, Ben explains, “my family has always supported me emotionally and financially since the inception of my business. My father provided me his parental property for disclosing the collateral for loans. My wife took a home loan and invested in business. My friends are sharing information and knowledge. This is helping my business to grow.”

When asked entrepreneurs about managing resources during the Corona crisis, entrepreneurs revealed using various resources, including personal savings, loans from friends and family, company reserves, and income from side jobs. Suraj mentions, *“I had some company reserves that help me pay for some months. Then, I started to work as a part time lecturer to have extra earnings. I also got some loan from my friends and family. My wife gave me her personal saving to fund my business.”* Further, pradip explains, *“Although my business had some inflows during the pandemic, I have been getting support from my network partners throughout my journey as entrepreneur. My family support me with the funds, my friends share information.”* He adds, *“last month I collected NRs.100000 from Dhikuti and used it for the business. It was so helpful for me to finance business during the pandemic.”* Furthermore, Suraj explains, *“I was helped by my family during the pandemic. All my friends were having the same problem as me. Therefore, I tried to ask help with my family and relatives rather than friends. However, I asked for advice for my business from my friends.”* It is now clear that, the entrepreneurs seek the support from their network partners for acquiring the resources during the pandemic.

4.3 Summary of findings from interview

Table 4.1: Summary of findings

Effect of pandemic	Closed business operation for 1.5 years Loss of employment Complexity in paying expenses like rent, electricity bills, tax, auditing fees. Repayment of loans and advances Laid off staffs. Booking cancellations Shortage of staff after the sector reopened
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	(foreign employment and career change) Role of personal savings
Accessing the financial capital	Banks operated for limited operations. Complexity in getting bank loans. High collateral requirements Income guarantee Role of banker- borrower relationships Missing middle scheme for loan sanctioning
Government support	No support from the government No tax evasion and support policies Lack of promotional mechanism Separates tourism from other SMEs. Lack of plans and policies for tourism sector
Role of social capital	Utilization of funds collected from Dhikuti Loans from close friends Collateral help from family Business groups Relationships during loans acquisition from formal financial institutions

Chapter 5

Analysis

In this chapter, the empirical findings for resource acquisition will be analyzed through the lens of social capital theory. This chapter discusses the results from the empirical findings concerning the research questions. The main aim of this study is to explore the knowledge of how Nepalese tourism entrepreneurs acquire financial resources during the pandemic situation. This study further aims to explain the role of formal institutions and the role of social capital in resource acquisition during the pandemic.

The research questions that the study tries to explain are as follows:

RQ1: How did the tourism entrepreneur access finance during the pandemic?

RQ2: What was the government support's role in accessing finance during the coronavirus pandemic?

RQ3: How do the social networks fulfil the financing need for tourism entrepreneurs during the pandemic?

5.1 Analytical framework

Tourism is the fourth largest industry, employing more than 11.4% of the people in Nepal (central bureau of Statistics, 2022). As suggested by (Nikraftar & Hosseini, 2016) the tourism business is a small and medium enterprise with low entry barriers, lower-skilled requirements, smaller outlays, and fewer restrictions on entry and exit. Nepalese tourism sector is characterized by fewer restrictions, low skill requirements, low capital requirements. Nepal is a developing economy, and the literacy rate is relatively low, which makes the tourism industry a suitable form of employment for income generation. For instance: the locals in Namche turn their house into a homestay and earn a living from it. In this sense, a low-skilled person can open a small guest house without formal procedures and generate income.

This study also conforms to the study (Hollick & Braun, 2005), which explains that tourism is associated with several industries like hospitality, transport, and airlines. In Nepal, the tourism industry is the source of income for microentrepreneurs, guides, trekkers, travel agencies, souvenir shops, local handicrafts, hotels and restaurants, and airlines. It makes the tourism industry the largest contributor to GDP. In Nepal, tourism is a profession for many unskilled or semi-skilled people. For instance: a tea shop in Thamel, a guest house in Namche, a tourist guide in Bhaktapur, and a local taxi driver get jobs and earn livelihoods from the Tourism Industry, conforms to the study by Damayanti et al. (2018).

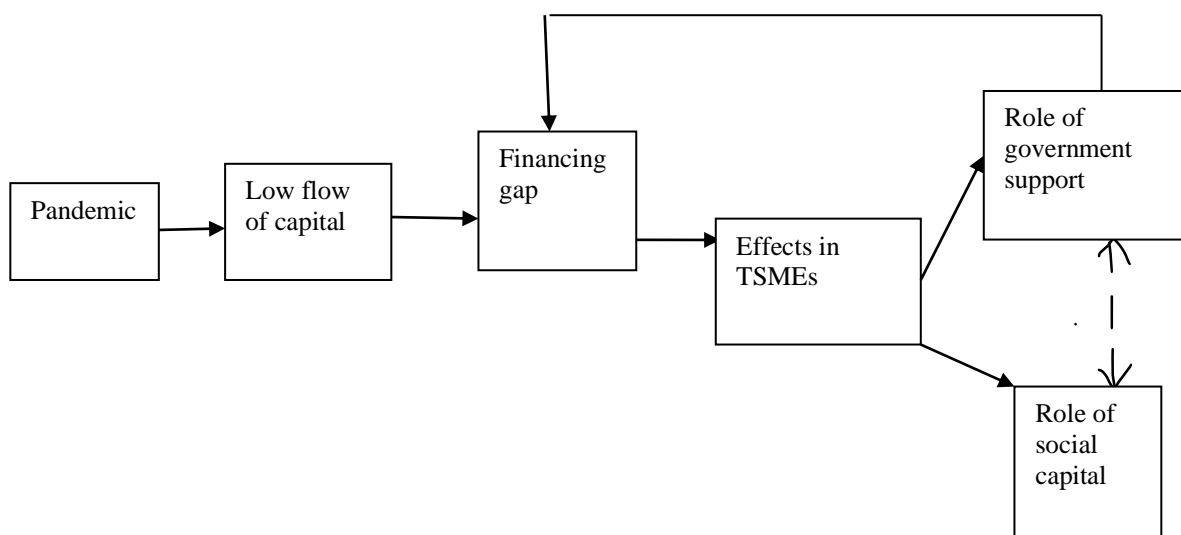


Figure: 5.1 Analytical framework

After analyzing empirical data and literature, figure 5.1 has been derived to explain the pandemic's effect on managing the tourism business's resources. Moreover, it highlights the role of government support and social capital for resource acquisition among entrepreneurs. Figure 5.1 suggests that the government's efforts of safety measures during a pandemic lowered the flow of revenue within the economy. The government's meditating role is in formulating policies for easing the business environment. Further, the government has a special role in assisting during emergencies. However, the study depicts lower government contribution regarding tax holidays and subsidies.

Further, the revenue was drastically lowered with the increasing number of booking cancellations. Furthermore, the financial access gap widened due to the strict banking regulations and less governmental effort supporting the tourism sector. Hence, the network partners' role exists to provide information, capital, and motivation. The following section will explain the pandemic's effect on Nepal's tourism industry, the sources and complexities of financing, the role of government, and the role of social capital. The analysis is presented in sequential order under different themes of the study.

5.2 Effect of pandemic on the tourism industry of Nepal

As explained by (Huynh et al., 2021), the covid-19 pandemic was estimated to be nine times more devastating than September 11 crisis leading to the economic crisis. Nepal was not an exception. As per the survey of ILO, it was found that 70% of SMEs had to shut down their operations, among which 50% were temporarily closed due to the instructions

from the authorities, and 50% were closed due to the fall in orders, infection among employees (ILO, 2020). The study shows that over 35% of new and old tourism businesses were permanently closed in Nepal, which also confirms the result of Adolph et al. (2021). It highlights that the situation was struggling for all the entrepreneurs.

In line with prior research by Robinson and Kengatharan (2020), tourism businesses in Nepal lack income inflows during the pandemic. The result depicts that the main reason for shutting down the business was a lack of financial resources to continue the business. Due to the lower inflows, entrepreneurs struggled to pay salaries, rent, utility bills, advances, repayment, and manage fixed expenses. Further, with the increasing number of covid patients, the government rules became stricter and more restricted the flow of tourists. The entrepreneurs experienced an increasing number of booking cancellations. The situation of Nepalese tourism entrepreneurs was similar to the situation of Srilanka. SMEs in Sri Lanka were encountering challenges such as shortage of materials, decrease in demands on both global and national scales, difficulties in repaying loans and interest, problems paying payroll and utility bills, limitations in recalling the employees back to work, lack of receiving new orders (Robinson & Kengatharan, 2020). In Nepal, tourism entrepreneurs need financial help repaying loans and interest, problems paying payroll and utility bills, and limitations in returning employees to work. It was also found that the employees who were laid off either changed their profession or traveled for foreign employment. It implies a need for more guides, trekkers, and administrative staff to work in the tourism sector of Nepal.

Additionally, by earlier research by Huynh et al. (2021), suggest the effect of multiple lockdowns in tourism industry. This study shows that there has been the effect of multiple lockdowns on tourism businesses in Nepal as well. During the first lockdown, the tourism and hospitality sectors were closed. The result shows that unemployment and job cuts were the immediate effects of the pandemic for tourism-associated people. Many stakeholders lost their jobs and moved abroad for income and security. Many potential entrepreneurs changed their minds and switched their career objectives. The result shows that there is increasing insecurity for continuation with this sector. In Nepal, people prefer secure jobs like government or banking, unlike tourism jobs in the present context. With the second and third lockdowns, it is hard to anticipate the revival of the tourism sector. Prakash cites, "*..... my business has been backward for five years due to the pandemic*". It

questions the revival of the tourism industry. Tourism entrepreneurs are anticipating more bookings, but they are still struggling to get enough booking for continuation of the business.

In line with the study of Adolph et al. (2021), the findings suggest that government safety measures were economically painful for all entrepreneurs. The study suggests that the government had a limited role of spreading awareness. Financial assistance from the government was limited. Therefore, entrepreneurs had to manage the resources themselves and continue the business. Moreover, tourist flows were restricted due to travel restrictions. In such situations, Nepalese tourism entrepreneurs struggled to manage the finance for the daily operations of the business and its continuity.

In present context, the tourism business is still thriving for its revival. There has been a significant increase in the number of bookings. However, the entrepreneurs still have massive dues for repayment used during the pandemic. Data suggests that the sector will require 2-3 years to profit from the business. Apart from this, with the increasing insecurities and trends in foreign employment, there is a labor shortage in the tourism sector. Many people change their careers and priorities. For instance, the data explains that there are decreasing numbers of guides and trekkers in the Nepalese tourism sector. Hence, the entrepreneurs need help fulfilling the booked tourists' expectations. The unique findings from this study include the decreasing trends in entrepreneurial activities and increasing trends in foreign employment in Nepal. Further, people are changing their career objectives and traveling for securities and foreign employment. The problem of a labor shortage is increasing, and demand is significantly lower. Although the situation has improved, Nepalese tourism entrepreneurs still strive for survival and continuity.

5.3 Sources and complexity in accessing the financial capital for TSMEs

The study by Keskgñ et al. (2010) shows that SMEs are more important than larger organizations because of having the capability of quick adaptation, less working capital, low management cost, cheap production, and labor-intensive. Further, SMEs are the main contributors to job creation in the economy. In Nepal, more than 11.4% of Nepal's workforce is employed in tourism, the country's fourth-largest industry. The study reveals that there is easy entry and exit and a requirement for less skilled workers in this field. Tourism is a source of income generation and poverty alleviation, especially in rural

Nepal. However, Nepalese tourism entrepreneurs lack access to bank credits. This study corresponds to the study of (Beck, 2007; Beck & Demircuc-Kunt, 2006; Beck et al., 2005; Osano & Languitone, 2016), explaining that access to finance is a major barrier for small and medium enterprises. The major reason accounted for was due to lower institutional development. The banking sector in Nepal is growing. However, the growth is significantly lower than in other developed and developing countries (Pokhrel, 2006). Therefore, access is limited for SMEs.

Moreover, the report (ESCAP, 2021) also highlights a "missing-middle" strategy in developing countries, meaning that SMEs are not fit for micro-loans and are too small for bank financing. Therefore, SMEs mainly struggle with long-term external financing. In Nepal, SMEs face the challenges of accessing bank credit due to long documentation procedures, high collateral requirements, and high-interest rates. Therefore, most entrepreneurs prefer internal financing like savings (Wang, 2016).

A prior study by O'Rourke (2017) implies that the fragile nature of the tourism business is a major issue for bank financing. Tourism-related small and medium enterprises face the challenges of accessing formal institutions' finances due to the seasonal nature of business and inconsistent income patterns (O'Rourke, 2017). This study validates the study by O'Rourke (2017). The interview result reveals that Nepalese entrepreneurs have limited access to bank credit mainly because of the seasonality nature and a "missing middle" strategy.

Firstly, tourism businesses' seasonal nature and inconsistent income patterns make investing risky for banks. The banks are more interested in investing in the small company with consistent earnings. Furthermore, this study confirms the study of Ardic et al. (2012) that explains the difficulty in proving creditworthiness, small cash flows, inadequate credit history, high-risk premiums, underdeveloped bank-borrower relationships, and high transaction costs as the major factors for getting long-term loans. The results depict that Nepalese tourism entrepreneurs have barriers to proving their creditworthiness. The tourism business is seasonal, and the income flow is inconsistent. Therefore, entrepreneurs fail to prove the income guarantee. It makes them search for loans from alternative sources. However, as revealed in the study (Beck & Demircuc-Kunt, 2006), large, older, and foreign firms have lower levels of obstacles in accessing bank credit. This study

reveals that old entrepreneurs with good bank-borrower relationships can access bank credit with fewer obstacles. Further, the hotels and restaurants with a consistent flow of income, banks are more likely to expose them to bank credit.

Secondly, tourism businesses do not fit under any category of loans as categorized by Nepal Rastra Bank. (ESCAP, 2021) the report also highlights a "missing-middle" strategy in developing countries, meaning that SMEs are not fit for micro-loans and are too small for bank financing. The result from the interview suggests that Nepalese banks lack the "missing middle" strategy for financing the tourism business. Tourism business does not qualify for any loan category. Manoj cites, "*.....it is easier to get a home loan from a bank than to get a loan for business.*" The quote suggests that there is no special provision for the banks to sanction loans to the tourism business. Suraj further mentions, "*....getting loans for business purposes requires long procedures and collateral with an income guarantee.*" The quote implies that even if the bank sanction the loans, they are usually the personal loans that the entrepreneurs use in business.

As suggested by the study of (Sheldon & Dwyer, 2010), the global crisis declined the ability of tourism entrepreneur to fund debt or investment. This study aligns with the fact because travelling was among the least prioritized activity. Hence, entrepreneurs experienced the increasing number of booking cancellations that lowered the flow of the income. Banks always seek for income guarantees before sanctioning the loans. Therefore, the Nepalese entrepreneurs had the declined ability to get debts or investment from banks and also the network partners.

Furthermore, the study shows that banks and financial institutions operated for limited functions like deposit and withdrawal during the pandemic. Multiple lockdowns and restricted banking functions constrain the accessibility of loans to tourism businesses. With the risk factors involved in the tourism business, it has been proved that the tourism business is less likely to get bank loans. With the uncertainties posed by the pandemic, getting access to bank credit seems complicated for tourism entrepreneurs in Nepal. Therefore, Nepalese entrepreneurs used internal sources of funding. Some entrepreneurs get short-term loans because of strong bank-borrower relationships. However, most entrepreneurs emphasized the importance of saving.

Moreover, they emphasized the importance of the network partners like family, relatives, and friends to support them emotionally and financially during the pandemic. Moreover, the study shows that the association of travel agents also helped old and new entrepreneurs financially, depending on the severity of the business. In this regard, the financing of the tourism industry was mainly through personal savings and social networks.

The unique finding from this study is that typically old tourism entrepreneurs are likely to be prepared for the crisis. Old entrepreneurs in Nepal allocate some percentage of their profit in the reserve funds for managing the business in such a crisis. The entrepreneurs utilize such funds during the pandemic to pay salary, rent, utility bills, and loans.

Furthermore, some entrepreneurs started side businesses to finance the company during the pandemic. Prakash states, "*I started transportation service for quarantine visitors during a pandemic to cover my business cost.*" It implies that entrepreneurs continue their business by earning from alternate sources, even though the network partners were the major source for accessing the finance.

5.4 Role of the government during the pandemic

Prior research by (Kubickova, 2016) explains two roles of government for tourism development. First, creating the conducive environment and offering securities, political stability, legislation and a financial framework. The study contradicts the prior research. The study shows that the Tourism Board of Nepal which is the governing body fails to provide the conducive environment to the tourism entrepreneurs. From the previous discussion, it has been clear that the government fails to provide the proper financial framework to the tourism entrepreneurs. Lack of proper financial framework is one of the reason for obstacles in accessing the bank credit. The results of the ESCAP study and interviews show that the government lacks the proper loan categorization to help the tourism industry. Despite being the fourth largest contributor to the Nepalese economy, the tourism business is not recognized under any loan categories. Lack of government support makes it harder to obtain external financing. It means that tourism entrepreneurs grow with their efforts.

Furthermore, the study also shows that government has lower interest to support the tourism industry. The tourism entrepreneurs claim the plans and policies formulated by the government does not fulfil their needs. Moreover, the policies are misfitted during the

implementation. Ben states, “*Government planned about visit Nepal 2020 without consulting any representing bodies from TAAN an TGAN.*” This implies that there is conflict of interests between the entrepreneurs and the government. The study (Lerner & Haber, 2001, p. 81) suggests that touristic development is encouraged or blocked depends very much on the policy of the government. The result from the finding suggests that the tourism development is discouraged in Nepal from the government. Moreover, entrepreneurs explain about the limited effort of the government in marketing and promotion of tourism in Nepal.

The study further reveals that with the ignorance of the government in creating conducive environment for tourism, there is a separate body, TAAN, works to uplift the tourism sector and the people associated with it. The representative from TAAN meet every month and make strategic planning to help existing entrepreneur and motivate new entrepreneurs.

During the pandemic, WTTC encourages the government to formulate plans and policies to support the struggling tourism and hospitality sectors. In Uzbekistan, the government and its agencies provide tax holidays, subsidies, and improved healthcare monitoring to restore the tourism industry (Allaberganov et al., 2021). The study shows that the Nepalese government announced financial assistance for entrepreneurs and guides. However, entrepreneurs and trekkers could not secure financial support because of the lengthy and arduous application process. Tourism entrepreneurs explain it as merely a meaningless promise. Contrary, some of the hotels were listed for quarantine of the travellers that provided financial aid for them. However, the list included only a limited number of hotels. Unlisted hotels faced a similar issue to travel agencies. It signifies that the government has no role in supporting tourism businesses during the pandemic.

Due to the failure of government to manage proper financial framework for the tourism business. The tourism entrepreneurs rely on their savings and support from the network partners for managing the resources for growth and continuity of the business. This study shows that there is a need for special attention of the government to enhance the sector. Further, the financial framework has to be established for creating conducive environment to the tourism entrepreneurs.

5.5 Dimensions and role of the social capital to fulfil financing gap of TSMEs.

Increasing complexities of accessing finance from the formal institutions and government strengthens networks' role. In line with the study (Nikraftar & Hosseini, 2016), tourism entrepreneurs can explore and exploit innovation opportunities within social networks. In Nepal, capital generated from social networks is the primary source for funding the tourism business. The study shows that most entrepreneurs used savings and loans from networks to start the business. Further, they use the resources from their network partners for growth. The creditworthiness of the entrepreneurs is based on the trust. With a strong network relationship, entrepreneurs can access capital and information. Based on the structural dimensions proposed by Nahapiet and Ghoshal (1998), the network ties and configuration among people explain access to capital and information. The study reveals that stronger ties lie with family and close relatives due to the frequent exchange of information. During the pandemic, tourism entrepreneurs in Nepal were mainly supported by their families. The study aligns with the study of Lee (2009) that explain high cohesiveness and centrality lie in bonding or strong ties due to frequent communication and exchange (Lee, 2009). Due to social distancing and lockdowns, the movement was limited. Hence, connecting with friends was limited to social media like Facebook, Messenger, and WhatsApp. Digitalization played an important role during the pandemic. During the pandemic, the family support in business in many ways. For instance, use of the parental property for getting loans, use of saving from the family, and use of salaries of the family members. Tourism entrepreneur in Nepal finds it easy to use funds from their family because of the lower interest rate and delayed repayment rate.

However, there is the special role of unrelated actors or bridging capital for growth, as identified by Lee (2009). Unrelated actors like friends, social associations, and voluntary groups are essential for the exchange of information and idea generation. In Nepal, a group with similar interests joins and forms a reserve fund known as "Dhikuti." The network partners use the accumulated amount. Many entrepreneurs use such reserve funds during a pandemic to finance their businesses. Despite financial support, unrelated actors help with the referral and sharing of information. The data reveals that tourism entrepreneurs help each other grow. For instance, in Nepal, colleagues and rival businesses share information, make referrals, and offer financial support. The study reflects a trend of referral among tourism entrepreneurs in Nepal.

Trust, identity, obligations, and expectations are the four components of building social capital, highlighted by the relationship dimension proposed by Nahapiet and Ghoshal (1998). Entrepreneurs may face substantial risk when lending resources like private land, private space, and information. (Lee, 2009).

As suggested by Lee (2009), strong bonding networks foster the growth of self-esteem, reputation, and status by fostering high trust, identity, and emotional intimacy. The finding resembles the prior study; high trust and emotional intimacy exist with families and close relatives. Therefore, families and close relatives were the primary funding sources during the pandemic. Although the disbursement of funds and information involves high risk, the relationship's strength directly impacts the flow of resources. Unlike the previous study, the result reflects the cohesiveness among the unrelated actors during the pandemic. This study also highlights a strong bond between unrelated actors with similar interests and emotions. The unrelated actors are bound together by shared values, interpretations, and identities, as Nahapiet and Ghoshal (1998) proposed in cognitive dimensions. The study reflects that the tourism entrepreneurs helped each other during the crisis to survive the whole sector. Although the government did not assist during the pandemic, the tourism entrepreneurs within the Kathmandu Valley support each other sustain. Tourism entrepreneurs help with capital, access to information, access to private property, and sharing of tacit knowledge. The Nepalese tourism entrepreneurs cluster is bound under TAAN with the common interest of growing the sector. TAAN formulates plans and policies for the growth of the industry. All the entrepreneurs with shared interests and cognitive thinking link together. During the pandemic, TAAN is the network of entrepreneurs. Through affiliation in TAAN, the entrepreneur knows one another, and based on trust and strength of ties, they get the resources for the relationships.

Although the study by Lee (2009) explains the risk associated with lending resources like private land, private space, and information, tourism entrepreneurs help each other by sharing their resources. Trust and trustworthiness are the major aspects of sharing resources. During the pandemic, the entrepreneurs helped each other in different ways. Prakash cites, "*I shared my office space with another travel agency filing bankruptcy.*" It reflects that the market has healthy competition and people are connected. In general, there is a tendency among tourism entrepreneurs to lend short-term funds to each other. For example, if the entrepreneur struggles to finance a group of tourists, the other entrepreneur

provides the fund for a week or more. Trust and trustworthiness among the entrepreneurs allow them to use the funds. Data shows that although the pandemic was harsh for all entrepreneurs, old companies help new entrepreneurs financially and share their ideas. Such a tendency supports the industry's growth.

This study aligns with the prior research by (Putra et al., 2020) that explains that social networks help access finance, information, and emotional support from the network partners. Social capital is a significant funding source in developing contexts like Nepal. Social networks provide entrepreneurs with information, capital, talents, and expertise. Networks help in accessing the resources from banks as well. For example, if an entrepreneur has a good relationship with the banker, s/he will most likely get the bank credit. Therefore, social capital is generally the primary source of funds in developing countries due to less accessibility to bank credit.

Moreover, during the pandemic, family and friends had a special role in motivating tourism entrepreneurs. The result depicts that the tourism entrepreneurs in Nepal are mainly supported by their family and friends throughout their business operations. Using parental property to access finance is one example of motivating entrepreneurs. Further, entrepreneurs used the finance accessed from their family and friends to manage daily expenses and pay loans during the pandemic. The loans from family were used to pay salary, rent, utilities, and advances. This study clearly shows that weaker ties are equally crucial for funding during the pandemic. Associations like TAAN, colleagues, and friends disbursed the funds to the entrepreneurs to continue the business. It implies that the social network is vital in boosting entrepreneurial intentions and resource acquisition.

The unique finding from this research is that when the role of government becomes weaker in managing the financial framework. There is a special role of social networks for funding the business. Contrary to previous research, this study reveals that cohesiveness exists among unrelated actors or weaker ties for managing financial resources during the pandemic. Friends and social associations equally supported the business to survive by providing capital and sharing the resources.

Chapter 6

Conclusions and recommendations

In this last chapter, general conclusions from the thesis are presented. Contributions and implications are discussed thereafter, followed by a discussion on limitations of research. Finally, suggestions for future research are presented.

6.1 General conclusions

This thesis aims to contribute to knowledge about tourism entrepreneurship in developing countries by taking Nepal as the context. The study further explores the role of social capital during the pandemic in managing the business. The study explains the complexities of accessing finance from formal institutions and using social networks for resource acquisition. Moreover, it presents the obstacles to resource acquisition during the pandemic and the role of social networks in bridging the financial gap among tourism entrepreneurs in Nepal.

First, tourism entrepreneurs in the studied contexts use various resources for venturing into their businesses. Findings suggest obstacles in accessing formal institutions' finances for two reasons: a missing middle strategy for loan disbursement and the business's nature. Tourism entrepreneurship tends to be riskier for investment due to its seasonal nature and inconsistent income flow. With the limitations of limited access to funds from financial institutions, it was accounted that access remains even more limited during the pandemic. The tourism entrepreneurs struggled to cover their fixed costs throughout the pandemic, including rent, loans, advances, and electricity bills.

Despite the daunting pandemic, government support for the tourism industry remains null. Entrepreneurs manage funds from the networks and fund their businesses. A social network filled the financing gap for tourism entrepreneurs during the pandemic. Based on the results, it is clear that a significant portion of the tourism entrepreneurs' funds is from the social capital both before and after the pandemic due to the hindrance in accessing bank credit. Government lacks proper financial framework for the tourism entrepreneurs.

In Nepal, a large portion of the tourism business is funded by the personal savings of entrepreneurs. Some funds are accessed from banks and cooperatives with high collateral and lengthy documentation procedure. Further, bank-borrower relationships play a vital role in accessing funds. During the pandemic, the tourism business had minimal access to financial capital from banks. Further, the banks consider the sector risky due to the seasonal nature of the business. During pandemic, the low flow of revenue lacks the assurance to bank about repayment guarantee. Therefore, access to bank credit was restricted, and social capital remained the primary source for funding the business.

Entrepreneurs generally take loans from their networks to start and operate the business. The entrepreneurs access the resources in the network ties to manage the business during the pandemic. Many entrepreneurs use their parental property as collateral for accessing loans from banks and financial institutions along with personal loans. During the pandemic, tourism entrepreneurs mainly get loans from their families, close relatives, and friends. Most of them sustain themselves in the market through their savings and reserve funds from the business. The pandemic was unexpected, and entrepreneurs were not prepared for it. Entrepreneurs had challenges in daily operations, and the primary source of funds was social networks. There are shortcomings while accessing funds from networks, such as unpredictable repayment and higher interest rates. With the limited access to bank credit before and after covid, credit from social networks plays an important role.

6.2 Contributions and implications

Prior researches were mainly based on the access of finance in SMEs in developing countries (Beck & Demirguc-Kunt, 2006) with no focus on tourism industry. As tourism entrepreneurship is emerging and focus has been limited from the scholars (Solvoll et al., 2015). This study mainly focuses on the gap in accessing finance in emerging economies, typically in the tourism sector. It further explains the struggle to access bank credit. Due to the complexities in accessing bank credit, social capital is dominant in the context of Nepal. This study is essential to build new knowledge on challenges faced by entrepreneurs while trying to secure financing and manage their companies during the pandemic. Further, previous literature suggests limited studies on tourism entrepreneurship. This study can enrich the knowledge of tourism entrepreneurship in the developing context since most studies focus on developed nations. It can add new knowledge about tourism since nature may differ in different contexts.

Further, tourism is among the most affected industries during the pandemic. This thesis explores the pandemic's effect on tourism entrepreneurship from a resource perspective. This study highlights the struggle of the tourism entrepreneur concerning resource acquisition in Nepal, especially during the pandemic. This study enriches the knowledge regarding the role of social capital in accessing the finance for the tourism business.

This thesis improves our current understanding regarding financing theory in the developing context of the tourism industry. Several studies are based on access to finance in SMEs, but focus has not been given to TSMEs. TSMEs are slightly different from other SMEs. TSMEs are riskier due to their nature. The financing gap for such a sector remains wider than for other small businesses. The study also highlights the importance of social capital theory for bridging the financing gap among tourism entrepreneurs. This study adds the current literature of how tourism entrepreneurs access the finance for business during the pandemic in developing country.

There are some practical implications to mention based on the thesis results. There is a particular need for the government to address the problem of financing for tourism entrepreneurs. The government should take the initiative to help tourism entrepreneurs with promotion activities, financing options, and creating a conducive environment for tourism. Such initiative from the government can motivate the sector to grow and create more job opportunities.

6.3 Limitations

The thesis is mainly based on social capital theory and the financing aspect of resource-based theory. Therefore, other theories, like institutional theory, are not considered. The study on pandemic and tourism entrepreneurship is limited. This thesis is about the context of Nepal tourism entrepreneurship, mainly based on Kathmandu Valley. The scope of the study was limited to the Kathmandu Valley. The financing aspects in rural and urban areas could be different. Therefore, the study might only partially represent some of the tourism industry from diverse backgrounds.

There were limitations in conducting the interviews as well. I have conducted interviews with several tourism entrepreneurs and some representatives but have yet to have a voice

from the Tourism Board of Nepal. The result could be more inclusive from the governmental perspective as well. Further, the interviews with rural tourism entrepreneurs could have made it more comparative and comprehensive.

Despite some limitations on my work, I assume that the study provides new knowledge on financing the tourism business through social networks during the pandemic in Nepal. The study can give the overall picture of the tourism business and its complexities in resource acquisition in emerging economies.

6.4 Recommendations for future research

There are numerous possible fields of study for future research on tourism entrepreneurship and resource acquisition. It is possible to have a comparative analysis of tourism entrepreneurship in different developing countries and how they acquire resources. Further study can be done on the role of informal actors in the national economy. There are possibilities to explore tourism entrepreneurship and sustainable aspects of tourism, such as agro tourism. In this study, the positive impact of social capital has been highlighted. On the contrary, there may exist downfalls of social capital, but there is the possibility of conducting a study on these aspects. Furthermore, this study's findings can also be verified or falsified through quantitative research surveying large numbers of respondents. Moreover, the qualitative study could be more elaborative using institutional theories, resource-based, and social capital theories.

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Appendix 1 Interview guide

<p>Introduction</p> <p>Introduction of myself</p> <p>Purpose of interview and purpose of research</p> <p>Participation is voluntary and responses will be treated confidentially</p> <p>Recording of interview</p>
<p>General information</p> <p>Tell me something about yourself, your academic qualification, your experience, family background, family status.</p>
<p>Part 1: Introduction to business</p> <p>Please tell something about your business before and after covid</p> <p>When was the firm established? How long have you been working as entrepreneur?</p> <p>What was the situation of your company before and after Covid?</p> <p>What sort of challenges did you faced during the pandemic? How have you been managing to operate during the pandemic?</p> <p>What source of fund did you use for continuation of your business during lockdowns and travel restrictions while the whole sector was closed?</p> <p>Did you close your business during pandemic? Why and how long?</p> <p>Did you have problem in managing finance for daily operations during the pandemic? Is your company reviving now?</p>
<p>Part 2: Financial Capital</p> <p>Tell me about the experience for finding access to finance</p> <p>Tell me about the need for fund?</p> <p>What source of funding do you use?</p> <p>How did you managed the fund to start and operate the business?</p> <p>Did you face any challenges while assessing the funds from the formal institutions (bank,</p>

finance company)?

What source of funding do you prefer?

Are you in more need of capital and purpose?

What sources of fund did you use during covid? How did you manage operations during the time of covid?

Did you face any challenges while assessing the funds during the covid? (banks, social networks)

Part 3: Personal savings and government support

Tell me something about the investment from personal savings and government support

Do you have some personal saving in this business?

Did you use your personal saving for financing during lockdowns or travel restrictions? If yes, what was the purpose?

Are there any government schemes that is provided to tourism operators for motivating entrepreneurship? Have you taken any help?

Since tourism sector was the most vulnerable during covid. What kind of support did you get from the government during crisis?

Part 4: Personal networks and ties

Tell me something about your personal networks that relate to your business (family, friends, colleagues, other business groups)

Do you prefer getting finance from formal institutions or from your networks? How & why?

Does your family help you in business? In what ways....

Did your friends helped you while starting the business? In what ways...

In what ways are your overall networks helping you?

Did you get support from the family and friends during pandemic? In what ways...

How did you manage to connect within the networks during lockdown and while your business was closed?

Do you have any informal social networks that are helping you in business (Dhikuti, committees, business associations etc.)? How frequently do you meet and in what ways do you help each other? Did you get some help from them during covid?

Is there anything you would like to add at the end?

Thank you for participating and sharing the valuable information.

Appendix 2: Consent Form

Research topic: Tourism entrepreneurship in Nepal

Research Supervisor:

Dr. Marta Lindvert, Associate professor, Nord university

Email: marta.lindvert@nord.no

Invitation to participate.

You are invited to participate in a research study. You have a choice to participate or not to participate for this study. If you will decide not to participate, there will be no negative relationship with the researcher. The information provided in this form tells you about what is involved in the research and the subject matter of the study. Please read the form carefully, take all the time you need and ask any question you may have.

Purpose of the research study

Finance is the crucial part of business. Accessing the fund is critical for operating and managing the business. In the country like Nepal where the banking procedures are too lengthy and requires more collateral, what are the means the businesses use to keep going. Further, during the time of pandemic where everything was closed for uncertain period of time how did the entrepreneurs manage continuing the business. Further, tourism is one among the most affected sector, how did the tourism entrepreneurs manage their funds for business operations. This study also tries to find out the alternate ways of managing the funds and the role of social networks for doing business.

What will you be asked to do?

If you decide to participate, you will be asked to give an interview. The interview will last for 20-30 minutes. Interview can be in any language: English or Nepali as per the convenience of the interviewee. You can use your own words in which you are comfortable with. You can add your thoughts along with the answer to the questions in the questionnaire.

Who can take part in the study?

Entrepreneurs who have been working with the tourism industry in Nepal can be part of the study. I am looking for 5-7 participants in total for this study.

Privacy and confidentiality

All the interviews would be transcribed and identified only by code numbers. You will not be identified by name in any reports of the completed study. All the information received would be confidential and used only for the purpose of study.

Reporting of results

The findings of the study would be presented as a master's thesis of Nord University.

Withdrawing from the study

Your participation is voluntary, and you are under no obligation to participate. You have right to withdraw participation any time you want without any reasoning. Your decision to withdraw will not influence the relationship with the researcher in any way.

Conflicts of interest

Researcher do not have any conflicts of interest in this study.

Questions and contact information.

If you have any questions about the study or would like more information, please contact: Samjhana Timalsina, +977 9863666655 or +47 98639294
samjhana.timalsina@student.nord.no
samutimalsina@gmail.com

Declaration of consent

I understand the purpose of interview and I would like to participate.

Signature.....

Phone.....