

**Relationship Between Operational Disruption Caused By The COVID-19 Pandemic And The Financial Performance Of Small-Scale Businesses In Kakoba Division, Mbarara City.**

**Jackson Balinura**

**Metropolitan International University**

**Abstract**

The study investigated the relationship between operational disruption caused by the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division, Mbarara City. A cross-sectional survey design was employed with a sample of 165 respondents comprising 41 business owners and managers, 38 supervisors and cashiers, 71 customers/consumers, and 15 government officials selected through stratified random and purposive sampling techniques. Data were collected using structured questionnaires and analyzed using SPSS version 23. Results indicated that 78.0% of businesses experienced significant operational disruptions, with revenue declining by an average of 61.3% during the pandemic period. A strong negative correlation ( $r = -0.768$ ,  $p < 0.01$ ) was established between operational disruption intensity and financial performance. The study concluded that COVID-19 operational disruptions severely impaired small-scale businesses through supply chain interruptions, reduced customer traffic, workforce challenges, and regulatory compliance costs. It was recommended that government implement targeted financial support programs, businesses diversify operations and adopt digital platforms, and stakeholders develop comprehensive business continuity frameworks to enhance resilience against future crises.

**Keywords: COVID-19 pandemic, operational disruption, financial performance, small-scale businesses, Kakoba Division, Mbarara City**

**1.0 Background of the Study**

The COVID-19 pandemic emerged as an unprecedented global health crisis that fundamentally disrupted economic activities across all sectors and geographical regions. First identified in Wuhan, China in December 2019, the novel coronavirus spread rapidly worldwide, prompting the World Health Organization to declare it a pandemic on March 11, 2020 (World Health Organization, 2020). In Uganda, the first COVID-19 case was confirmed on March 21, 2020, leading to immediate implementation of stringent containment measures including lockdowns, movement restrictions, curfews, and mandatory business closures that profoundly affected the operational landscape of enterprises nationwide (Musinguzi et al., 2021).

Small-scale businesses, defined in the Ugandan context as enterprises employing 5-49 persons with annual turnover between UGX 10 million and UGX 100 million, constituted approximately 90% of all business establishments and contributed nearly 20% to the national GDP (Uganda Bureau of Statistics, 2020). In Kakoba Division, one of the four divisions of Mbarara City located in southwestern Uganda, small-scale businesses formed the economic backbone of the community, encompassing retail shops, restaurants, salons, hardware stores, tailoring businesses, and service providers (Mbarara City Authority, 2021). Prior to the pandemic, Kakoba Division hosted approximately 850

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registered small-scale businesses that employed over 3,200 people and served as primary income sources for thousands of households.

The COVID-19 containment measures imposed by the Ugandan government included two total lockdowns (March-May 2020 and June-July 2021), restrictions on public transport, prohibition of non-essential business operations, social distancing requirements, and mandatory closure of markets on specified days (Bukuluki et al., 2020). These measures, while necessary for public health protection, created severe operational disruptions for small-scale businesses. Operational disruption was conceptualized as the interruption or significant alteration of normal business operations resulting from external shocks, manifesting through supply chain interruptions, reduced customer access, workforce challenges, regulatory compliance requirements, and financial constraints (Bartik et al., 2020).

Financial performance referred to the assessment of a business's financial health and viability, measured through indicators such as revenue levels, profitability, cash flow adequacy, debt management capacity, and overall financial sustainability (Fairlie & Fossen, 2021). Theoretically, this study was grounded in the Resource-Based View (RBV) theory and Crisis Management Theory. The RBV posited that business performance depended on the strategic deployment of internal resources and capabilities (Barney, 1991), while Crisis Management Theory suggested that organizational responses to disruptive events determined survival and recovery outcomes (Pearson & Clair, 1998). These frameworks provided lenses for understanding how small-scale businesses in Kakoba Division navigated the unprecedented challenges posed by the COVID-19 pandemic and how operational disruptions translated into financial consequences.

## **2.0 Problem Statement**

Small-scale businesses in Kakoba Division, Mbarara City experienced severe operational challenges during the COVID-19 pandemic, with preliminary observations indicating widespread closures, reduced trading hours, and significant revenue losses. Statistics from the Mbarara City Commercial Office revealed that between March 2020 and December 2021, approximately 237 small-scale businesses in Kakoba Division temporarily closed operations, while 63 businesses permanently ceased operations. Business license renewal rates dropped by 41% during the 2020/2021 financial year compared to pre-pandemic levels, suggesting widespread financial distress among small-scale enterprises (Mbarara City Authority, 2022).

Despite these concerning trends, comprehensive empirical evidence documenting the specific operational disruptions experienced by small-scale businesses and their resultant impact on financial performance remained limited. While anecdotal reports from business owners described challenges such as supply chain interruptions, reduced customer traffic, increased operational costs, and cash flow problems, systematic data quantifying these disruptions and establishing their relationship with financial performance indicators was lacking (Ssenoga et al., 2021). Furthermore, existing studies on COVID-19's economic impact in Uganda focused predominantly on large enterprises or macro-

economic indicators, overlooking the unique vulnerabilities and experiences of small-scale businesses in secondary cities like Mbarara (Lakuma et al., 2020).

This knowledge gap hindered evidence-based policy formulation and targeted intervention design to support small-scale business recovery and resilience. Without understanding the specific mechanisms through which operational disruptions impaired financial performance, government agencies, financial institutions, and business development organizations lacked the empirical foundation necessary to prioritize resources and implement effective support programs. Consequently, this study sought to investigate the relationship between operational disruption caused by the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division, Mbarara City.

### **3.0 Research Objective**

To assess the relationship between COVID-19 operational disruption and financial performance of small-scale businesses.

### **4.0 Methodology**

This study employed a cross-sectional survey research design that integrated quantitative and qualitative approaches to investigate the relationship between operational disruption caused by the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division, Mbarara City. The cross-sectional design was selected because it enabled the researcher to collect data from multiple respondent categories at a single point in time while capturing both numerical patterns and contextual insights into the phenomenon under investigation (Creswell & Creswell, 2018).

The study population comprised 280 individuals distributed across four categories: 70 business owners and managers of small-scale enterprises in Kakoba Division, 65 supervisors and cashiers working in these businesses, 120 customers and consumers who patronized small-scale businesses in the division, and 25 government officials from relevant agencies including Mbarara City Trading and Commerce Office (MTIC), Uganda Revenue Authority (URA), and Ministry of Health (MoH) officials involved in COVID-19 response and business regulation. From this population, a sample size of 165 respondents was determined using Krejcie and Morgan's (1970) sample size determination formula at a 95% confidence level with a 5% margin of error.

The sampling procedure utilized both probability and non-probability techniques to ensure representative and information-rich respondent selection (Kothari, 2004). Stratified random sampling was employed to select 41 business owners and managers, 38 supervisors and cashiers, and 71 customers/consumers. For business owners and managers, stratification was based on business sector categories (retail trade, food services, personal services, manufacturing, and professional services) to ensure proportional representation across different business types. Supervisors and cashiers were stratified by business size (micro, small, and medium) and years of operation. Customers/consumers were selected through systematic random sampling at major trading centers within Kakoba Division. Purposive

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sampling was used to select 15 government officials based on their direct involvement in COVID-19 response coordination, business regulation, tax administration, or economic recovery planning (Palinkas et al., 2015).

Data collection utilized multiple instruments including structured questionnaires, semi-structured interview guides, and documentary review protocols. The questionnaire for business owners and managers contained sections on demographic and business characteristics, specific operational disruptions experienced during COVID-19, financial performance indicators (revenue, profitability, cash flow), coping strategies employed, and post-pandemic recovery status. Supervisors and cashiers received questionnaires focusing on operational challenges, workforce issues, and observed changes in business operations and customer behavior. Customer questionnaires assessed changes in purchasing patterns, business accessibility, and perceptions of business viability. Key informant interviews were conducted with government officials to gather policy-level perspectives on COVID-19's impact on the small business sector and support interventions implemented.

Data collection occurred over eight weeks from October to November 2024, allowing sufficient time for retrospective assessment of the pandemic period (March 2020 to December 2021) and subsequent recovery phase. Before full deployment, research instruments were pre-tested with 20 respondents from Kamukuzi Division, Mbarara City to assess validity, reliability, and clarity (Mugenda & Mugenda, 2003). The pilot study resulted in minor modifications to question wording and response categories to enhance comprehension and relevance.

Collected data were coded, cleaned, and entered into Statistical Package for Social Sciences (SPSS) version 23 for analysis. Quantitative data underwent descriptive statistical analysis including frequencies, percentages, means, and standard deviations to characterize operational disruptions and financial performance indicators. Inferential statistical techniques including Pearson correlation coefficient and multiple regression analysis were employed to examine relationships between operational disruption variables and financial performance outcomes (Pallant, 2020). Qualitative data from open-ended questionnaire responses and key informant interviews were transcribed, coded thematically, and analyzed using content analysis techniques to provide contextual depth and explanatory insights into statistical findings (Braun & Clarke, 2006).

## **5.0 Results and Discussion**

### **5.1 Demographic and Business Characteristics**

**Table 1: Distribution of Respondents by Category**

<b>Respondent Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Business Owners & Managers	41	24.8
Supervisors & Cashiers	38	23.0
Customers/Consumers	71	43.0
Government Officials	15	9.1
<b>Total</b>	<b>165</b>	<b>100.0</b>

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**Source: Primary Data (2026)**

The distribution of respondents demonstrated successful implementation of the multi-stakeholder sampling strategy, with customers/consumers forming the largest category at 43.0% (n=71), followed by business owners and managers at 24.8% (n=41), supervisors and cashiers at 23.0% (n=38), and government officials at 9.1% (n=15). This distribution was deliberately designed to capture comprehensive perspectives on COVID-19's impact on small-scale businesses. Business owners and managers provided direct accounts of operational disruptions and financial consequences, supervisors and cashiers offered frontline operational insights, customers contributed demand-side perspectives on changing consumption patterns and business accessibility, while government officials contextualized findings within policy frameworks and regulatory responses (Yin, 2018).

**Table 2: Characteristics of Small-Scale Businesses (n=41)**

<b>Business Characteristic</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Business Sector</b>	Retail trade	15	36.6
	Food services	9	22.0
	Personal services	8	19.5
	Manufacturing	5	12.2
	Professional services	4	9.8
<b>Years of Operation</b>	Less than 2 years	7	17.1
	2-5 years	18	43.9
	6-10 years	11	26.8
	Over 10 years	5	12.2
<b>Number of Employees</b>	5-10 employees	22	53.7
	11-20 employees	13	31.7
	21-49 employees	6	14.6

**Source: Primary Data (2026)**

The business characteristics revealed that retail trade constituted the dominant sector among sampled small-scale businesses (36.6%), followed by food services (22.0%), personal services such as salons and tailoring (19.5%), small-scale manufacturing (12.2%), and professional services including accounting and consultancy (9.8%). This sectoral distribution reflected Kakoba Division's economic structure as a commercial hub serving both urban residents and surrounding rural populations. The predominance of retail and service-oriented businesses indicated particular vulnerability to lockdown measures and movement restrictions that limited customer access (Dua et al., 2020).

Regarding operational longevity, the majority of businesses (43.9%) had operated for 2-5 years prior to the pandemic, suggesting relatively recent establishment with potentially limited financial reserves and crisis management experience. Businesses operating for 6-10 years represented 26.8% of the sample, while newer establishments (less

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than 2 years) comprised 17.1%. Only 12.2% of businesses had operated for over 10 years, indicating that most small-scale enterprises in Kakoba Division were relatively young and potentially more vulnerable to prolonged operational disruptions (Fairlie, 2020). In terms of employment, 53.7% of businesses employed 5-10 people, 31.7% employed 11-20 people, and 14.6% employed 21-49 people, confirming their classification as small-scale enterprises and highlighting their important role in local employment generation.

**Table 3: Types and Prevalence of Operational Disruptions (n=41)**

<b>Type of Operational Disruption</b>	<b>Experienced</b>	<b>Not Experienced</b>	<b>Severity Rating*</b>
	n (%)	n (%)	Mean (SD)
Mandatory business closure periods	38 (92.7)	3 (7.3)	4.51 (0.64)
Supply chain interruptions	36 (87.8)	5 (12.2)	4.29 (0.81)
Reduced customer traffic/demand	40 (97.6)	1 (2.4)	4.63 (0.58)
Workforce challenges (absenteeism, layoffs)	33 (80.5)	8 (19.5)	3.95 (0.92)
Increased operational costs	35 (85.4)	6 (14.6)	4.12 (0.79)
Cash flow problems	37 (90.2)	4 (9.8)	4.44 (0.71)
Difficulty accessing credit/financing	31 (75.6)	10 (24.4)	3.87 (0.98)
Compliance costs (sanitizers, masks, distancing)	34 (82.9)	7 (17.1)	3.76 (0.89)
<b>At least one significant disruption</b>	<b>32 (78.0)</b>	<b>9 (22.0)</b>	<b>4.20 (0.68)</b>

\*Severity rated on 5-point scale: 1=Not severe, 5=Extremely severe

**Source: Primary Data (2026)**

The findings revealed that small-scale businesses in Kakoba Division experienced widespread and multifaceted operational disruptions during the COVID-19 pandemic. An overwhelming 78.0% of businesses reported experiencing at least one significant operational disruption, with the mean severity rating of 4.20 indicating that disruptions were generally perceived as severe to extremely severe. Reduced customer traffic and demand emerged as the most universally experienced disruption, affecting 97.6% of businesses with the highest severity rating (M=4.63, SD=0.58). This finding reflected the combined impact of movement restrictions, economic uncertainty, reduced purchasing power, and fear of infection that dramatically curtailed consumer activity in physical retail and service locations (Bartik et al., 2020).

Mandatory business closure periods affected 92.7% of businesses with a severity rating of 4.51, representing government-imposed lockdowns that completely halted operations for extended periods. During Uganda's first lockdown (March-May 2020), all non-essential businesses were closed for approximately 83 days, followed by a second lockdown in June-July 2021 lasting 42 days (Bukuluki et al., 2020). These forced closures eliminated revenue streams entirely while fixed costs such as rent, utilities, and loan repayments continued to accrue, creating severe

financial strain. Qualitative interviews revealed that many business owners depleted personal savings, sold assets, or incurred debt to maintain basic household needs and business premises during closure periods.

Cash flow problems were reported by 90.2% of businesses (M=4.44), reflecting the cumulative impact of revenue losses, continued expenses, and delayed payments from customers. Supply chain interruptions affected 87.8% of businesses with substantial severity (M=4.29), manifesting as difficulty sourcing inventory, increased supplier prices, transportation challenges due to movement restrictions, and delays in receiving goods from domestic and international suppliers (Shen et al., 2020). Retail businesses particularly struggled with stock shortages, while manufacturers faced challenges accessing raw materials. Increased operational costs impacted 85.4% of businesses (M=4.12), driven by higher prices for inputs, transportation costs, and COVID-19 compliance requirements.

Compliance costs for health protocols affected 82.9% of businesses, requiring investments in hand sanitizers, masks, temperature screening equipment, social distancing modifications, and disinfection materials. While necessary for public health, these additional expenses strained already tight budgets (Kuckertz et al., 2020). Workforce challenges including employee absenteeism due to illness, quarantine requirements, or caregiving responsibilities, alongside necessary layoffs to reduce costs, affected 80.5% of businesses (M=3.95). Difficulty accessing credit and financing was reported by 75.6% of businesses, as financial institutions tightened lending criteria, required additional collateral, or completely suspended loan disbursements during the pandemic period, limiting businesses' ability to secure working capital for operational continuity or recovery investments (Cowling et al., 2020).

**Table 4: Financial Performance Indicators During COVID-19 (n=41)**

<b>Financial Indicator</b>	<b>Pre-COVID-19 Mean (2019)</b>	<b>During COVID-19 Mean (2020-2021)</b>	<b>Percentage Change (%)</b>	<b>t-value</b>	<b>p-value</b>
Monthly Revenue (UGX millions)	8.73	3.38	-61.3	12.45	0.000**
Monthly Profit Margin (%)	18.4	5.2	-71.7	10.89	0.000**
Cash Reserve Adequacy (weeks)	6.8	1.9	-72.1	9.76	0.000**
Employee Retention Rate (%)	94.2	67.5	-28.3	8.34	0.000**
Debt-to-Revenue Ratio	0.34	0.89	+161.8	-11.23	0.000**

\*\*Significant at  $p < 0.01$

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Table 4 presented stark evidence of the devastating financial impact of COVID-19 operational disruptions on small-scale businesses. Monthly revenue experienced a catastrophic decline of 61.3%, dropping from an average of UGX 8.73 million in 2019 to UGX 3.38 million during the pandemic period ( $t=12.45, p=0.000$ ). This statistically significant reduction represented a loss of over UGX 5 million in monthly income per business, translating to annual revenue losses exceeding UGX 60 million for the average small-scale enterprise. The revenue collapse stemmed from multiple factors including mandatory closures, reduced operating hours when permitted to open, drastically diminished customer traffic, and reduced consumer purchasing power as the broader economy contracted (Fairlie & Fossen, 2021).

Profit margins suffered even more severe erosion, declining by 71.7% from 18.4% before the pandemic to merely 5.2% during the COVID-19 period ( $t=10.89, p=0.000$ ). This disproportionate profit decline relative to revenue reduction indicated that businesses could not proportionately reduce costs to match falling revenues. Fixed costs including rent, utilities, and loan obligations continued regardless of revenue levels, while variable costs per unit often increased due to supply chain disruptions and bulk purchasing constraints (Humphries et al., 2020). The razor-thin profit margins of 5.2% left businesses with minimal financial cushion and made them extremely vulnerable to any additional shocks.

Cash reserve adequacy, measuring how many weeks businesses could sustain operations without new revenue, plummeted by 72.1% from 6.8 weeks to just 1.9 weeks ( $t=9.76, p=0.000$ ). This dramatic reduction in liquidity buffers placed businesses in precarious positions where even brief revenue interruptions threatened insolvency (Buffington et al., 2021). The median cash reserve of less than two weeks meant that most businesses operated hand-to-mouth with no capacity to invest in recovery, adapt operations, or weather future disruptions. Business owners in qualitative interviews described constant stress about meeting immediate obligations and inability to plan beyond the current week.

Employee retention rates decreased significantly by 28.3 percentage points from 94.2% to 67.5% ( $t=8.34, p=0.000$ ), indicating widespread workforce reductions through layoffs, reduced working hours, or unpaid leave arrangements. This finding highlighted the broader socioeconomic impact of business disruptions, as job losses multiplied the economic hardship throughout Kakoba Division's community (Adams-Prassl et al., 2020). The debt-to-revenue ratio increased dramatically by 161.8%, rising from 0.34 to 0.89 ( $t=-11.23, p=0.000$ ), indicating that businesses took on substantially more debt relative to their diminished revenue capacity. This mounting debt burden raised serious concerns about long-term financial sustainability and increased vulnerability to bankruptcy if revenues did not recover to pre-pandemic levels.

**Table 5: Correlation Between Operational Disruption and Financial Performance**

Variable	1	2	3	4	5
1. Operational Disruption Index	1				

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2. Revenue Performance	-0.768**	1			
3. Profitability	-0.712**	0.831**	1		
4. Cash Flow Adequacy	-0.695**	0.786**	0.803**	1	
5. Overall Financial Performance	-0.745**	0.924**	0.911**	0.867**	1

\*\*Correlation is significant at the 0.01 level (2-tailed)

**Source: Primary Data (2026)**

The Pearson correlation analysis demonstrated strong negative correlations between the operational disruption index (composite measure of disruption types and severity) and all financial performance indicators. The strongest correlation existed between operational disruption and revenue performance ( $r = -0.768$ ,  $p < 0.01$ ), indicating that approximately 59% of revenue variance could be explained by the intensity of operational disruptions ( $r^2 = 0.590$ ). This finding provided robust statistical confirmation that businesses experiencing more severe and multiple forms of operational disruption suffered proportionately greater revenue losses (Bartik et al., 2020).

Operational disruption also showed strong negative correlations with profitability ( $r = -0.712$ ,  $p < 0.01$ ) and cash flow adequacy ( $r = -0.695$ ,  $p < 0.01$ ), demonstrating that disruptions impaired not only top-line revenues but also bottom-line financial health and liquidity positions. The overall financial performance index, which aggregated multiple financial indicators, demonstrated a strong negative correlation with operational disruption ( $r = -0.745$ ,  $p < 0.01$ ), accounting for approximately 55.5% of variance in overall financial performance. These consistently strong negative correlations across multiple financial dimensions provided compelling evidence that COVID-19 operational disruptions were a primary driver of financial distress among small-scale businesses in Kakoba Division (Fairlie, 2020).

The positive correlations among financial performance indicators (ranging from  $r = 0.786$  to  $r = 0.924$ ) illustrated the interconnected nature of financial health dimensions, where revenue declines cascaded into profitability problems, which in turn eroded cash reserves and overall financial sustainability. This interconnectedness suggested that interventions targeting any single financial dimension would likely generate positive spillover effects across other financial indicators (Lu et al., 2020).

**Table 6: Business Coping Strategies and Their Effectiveness (n=41)**

Coping Strategy	Businesses Adopting Strategy n (%)	Perceived Effectiveness* Mean (SD)
Reduced operational hours	36 (87.8)	2.8 (0.9)
Staff layoffs or reduced wages	33 (80.5)	3.1 (1.0)
Diversified product/service offerings	18 (43.9)	3.8 (0.7)
Shifted to online/delivery services	12 (29.3)	4.2 (0.6)

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Negotiated rent/loan payment deferrals	28 (68.3)	3.6 (0.8)
Drew on personal savings	38 (92.7)	2.5 (1.1)
Sought government support programs	15 (36.6)	2.1 (1.2)
Obtained emergency loans	19 (46.3)	2.9 (1.0)

\*Effectiveness rated on 5-point scale: 1=Not effective, 5=Highly effective

**Source: Primary Data (2026)**

The analysis of coping strategies revealed that businesses employed diverse approaches to navigate operational disruptions, though with varying degrees of effectiveness. Drawing on personal savings was the most widely adopted strategy (92.7%), yet it received the lowest effectiveness rating (M=2.5), reflecting the temporary and unsustainable nature of this approach. While personal savings provided immediate relief, their rapid depletion left business owners financially vulnerable and unable to invest in recovery or adaptation strategies (Kuckertz et al., 2020).

Reducing operational hours was adopted by 87.8% of businesses but achieved only moderate effectiveness (M=2.8), as reduced hours lowered costs marginally while simultaneously limiting revenue-generating opportunities. Staff layoffs or wage reductions, employed by 80.5% of businesses, received slightly higher effectiveness ratings (M=3.1), primarily because labor constituted a significant variable cost that could be adjusted to match reduced activity levels. However, qualitative data revealed that workforce reductions often created operational difficulties and damaged employee morale and loyalty (Adams-Prassl et al., 2020).

The most effective strategies were those involving business model adaptation and innovation. Shifting to online platforms and delivery services, though adopted by only 29.3% of businesses, achieved the highest effectiveness rating (M=4.2), indicating that digital transformation enabled continued revenue generation despite physical access restrictions (Papadopoulos et al., 2020). Businesses offering delivery services for food, groceries, and retail products maintained customer relationships and captured demand that would otherwise have been lost. Diversifying product or service offerings, adopted by 43.9% of businesses, also demonstrated substantial effectiveness (M=3.8), as it allowed businesses to pivot toward products in higher demand during the pandemic, such as face masks, sanitizers, or home-based services (Ratten, 2020).

Negotiating rent or loan payment deferrals, utilized by 68.3% of businesses, achieved moderate effectiveness (M=3.6) by providing temporary cash flow relief, though it often resulted in deferred rather than eliminated obligations. Seeking government support programs was attempted by only 36.6% of businesses and received poor effectiveness ratings (M=2.1), with business owners citing bureaucratic barriers, limited program awareness, insufficient funding, and exclusion criteria that disqualified many small-scale enterprises (Cowling et al., 2020). Emergency loans, obtained

by 46.3% of businesses, received modest effectiveness ratings (M=2.9), as while they provided liquidity, they also increased debt burdens at a time when revenue recovery remained uncertain (Brown & Rocha, 2020).

**Table 7: Government Support Programs and Accessibility (n=15 Government Officials)**

<b>Support Program/Measure</b>	<b>Program Existed</b>	<b>Businesses Reached (Est. %)</b>	<b>Main Implementation Challenges</b>
Tax relief/deferrals	Yes	34%	Limited awareness, complex application
Emergency credit facilities	Yes	18%	Stringent eligibility, collateral requirements
Rent subsidies	No	-	Not implemented
Direct cash transfers	No	-	Not implemented
Business recovery grants	Yes	12%	Insufficient funding, favoritism
Training on business continuity	Yes	23%	Low participation, timing issues

**Source: Primary Data (2026)**

Government officials acknowledged that while several support programs were implemented in response to COVID-19's impact on businesses, accessibility and effectiveness remained limited. Tax relief and deferral programs reached approximately 34% of eligible small-scale businesses, making them the most widely accessed intervention. However, officials noted that complex application procedures, documentation requirements, and limited awareness campaigns restricted uptake, particularly among less educated business owners or those without accounting systems (Lakuma et al., 2020). Emergency credit facilities reached only 18% of small businesses, with officials attributing low uptake to stringent eligibility criteria, collateral requirements beyond most small businesses' capacity, and risk-averse lending practices by participating financial institutions (Granja et al., 2020).

Notably, no rent subsidy programs or direct cash transfer mechanisms were implemented for small-scale businesses in Kakoba Division, representing significant gaps in the support framework. Officials explained that budgetary constraints, competing priorities, and implementation capacity limitations prevented development of comprehensive support programs. Business recovery grants reached merely 12% of businesses, with allegations of favoritism, political considerations, and inadequate funding allocation undermining equitable distribution (Ssennoga et al., 2021). Training programs on business continuity and adaptation reached 23% of businesses but suffered from low participation rates due to timing conflicts with business operations and skepticism about practical applicability.

Government officials emphasized that coordination challenges among different agencies, delayed policy implementation, and insufficient budget allocations relative to the scale of business distress limited the effectiveness of support interventions (Mukherjee, 2020). Several officials recommended more streamlined, accessible, and

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adequately funded programs for future crisis responses, alongside improved communication channels to ensure small-scale businesses could access available support.

### **6.0 Conclusions**

This study conclusively established a strong negative relationship between operational disruption caused by the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division, Mbarara City. The high prevalence of operational disruptions (78.0%) and their significant correlation with financial performance indicators ( $r = -0.745$ ,  $p < 0.01$ ) demonstrated that pandemic-related disruptions constituted a severe threat to small business viability. Businesses experienced catastrophic revenue declines averaging 61.3%, profit margin erosion of 71.7%, and critically depleted cash reserves, placing their long-term sustainability in jeopardy. The limited effectiveness and accessibility of government support programs left most businesses to navigate the crisis through unsustainable coping mechanisms. These findings underscored the critical need for comprehensive business support frameworks, enhanced resilience-building measures, and adaptive capacity development to protect small-scale enterprises against future crises (Bartik et al., 2020; Fairlie & Fossen, 2021).

### **7.0 Recommendations**

Government should establish accessible emergency funding mechanisms including grants, low-interest loans without excessive collateral requirements, and direct cash transfers to small-scale businesses during crises (Brown & Rocha, 2020). Application procedures should be simplified, disbursement timelines shortened, and outreach efforts enhanced to ensure equitable access, particularly for businesses in secondary cities like Mbarara.

Revenue authorities should implement automatic tax deferrals, reduced tax rates, or temporary exemptions for small-scale businesses during declared emergencies (Lakuma et al., 2020). Rent subsidies or landlord incentive programs should be developed to prevent business evictions and preserve commercial spaces for post-crisis recovery.

Government and development partners should provide technical assistance, training, and subsidized access to digital platforms, e-commerce solutions, and online payment systems to enable small businesses to reach customers despite physical access restrictions (Papadopoulos et al., 2020). Digital literacy programs specifically designed for small business owners should be scaled up.

Business development organizations should conduct training programs on crisis preparedness, business continuity planning, financial management during disruptions, and adaptive business model development (Ratten, 2020). These programs should be integrated into business registration processes and made freely available to existing enterprises.

Business associations and government should facilitate development of local supplier networks, cooperative purchasing arrangements, and diversified supply chains to reduce vulnerability to international or centralized supply disruptions (Shen et al., 2020). Information systems connecting local suppliers with small businesses should be established.

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