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COVID-19 PANDEMIC AND THE FINANCIAL PERFORMANCE OF SMALL-SCALE BUSINESSES IN KAKOBA DIVISION, MBARARA CITY

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23/HD01/MBA/UMR

DISSERTATATION SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES & RESEARCH

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DECLARATION

I, **Jackson Balinura,** hereby declare that this dissertation entitled "***Covid-19 Pandemic and the Financial Performance of Small-Scale Businesses: A case of Kakoba Division, Mbarara City*****"** is my original work and it has never been presented to any other higher institution of learning for any academic award;

Signature ……... **Date** …….

MR. JACKSON BALINURA

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CERTIFICATION

This is to certify that, this dissertation entitled, "***COVID-19 Pandemic the Financial Performance of Small-Scale Businesses A Case of Kakoba Division, Mbarara City***" was carried out by Mr. Jackson Balinura under my close supervision and its ready to be submitted for examination to the School Graduate Studies & Research with my approval in partial fulfillment for the award of the Master's Degree of Business Administration (MBA) of Metropolitan International University.

Signature……..Date: :……..

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DEDICATION

This dissertation is dedicated to my parents, for their unwavering faith and sacrifice, and to my spouse and children, for their endless patience and support throughout this academic journey.

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To my colleagues and friends, thank you for the constructive discussions and moral support. Finally, to my family, your love and patience were my cornerstone. This achievement is shared with you all.

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LIST OF ACRONYMS AND ABBREVIATIONS

APA	American Psychological Association
AR	Access to Resources
CVI	Content Validity Index
DCT	Dynamic Capability Theory
DV	Dependent Variable
FP	Financial Performance
GSMA	Groupe Spécial Mobile Association
IV	Independent Variable
MBA	Master of Business Administration
MoH	Ministry of Health (Uganda)
MTIC	Ministry of Trade, Industry and Cooperatives (Uganda)
MU	Market Uncertainty
N	Total Population (in sampling context)
n	Sample Size
OD	Operational Disruption
OECD	Organisation for Economic Co-operation and Development

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R^2	Coefficient of Determination
RBV	Resource-Based View
SD	Standard Deviation
SME	Small and Medium Enterprise
SMS	Small and Medium Scale [Businesses]
SPSS	Statistical Package for the Social Sciences
TAM	Technology Acceptance Model
UBOS	Uganda Bureau of Statistics
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
URA	Uganda Revenue Authority
WHO	World Health Organization

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ABSTRACT

This study examined the influence of operational disruption, access to resources, and market uncertainty on the financial performance of small-scale businesses in Kakoba Division, Mbarara City, Uganda. A descriptive cross-sectional survey design was employed, with data collected from 145 respondents. Data were analyzed using descriptive statistics, Pearson correlation, and regression analysis. The results indicated that operational disruption had a significant negative relationship with financial performance ($r = -0.64$, $p < 0.01$) and was a significant negative predictor, explaining 41% of the variance in financial performance ($R^2 = 0.41$, $\beta = -0.64$). Access to resources demonstrated a strong positive correlation with financial performance ($r = 0.721$, $p < 0.01$) and was the strongest positive predictor, explaining 52% of the variance on its own ($R^2 = 0.52$, $\beta = 0.721$). Market uncertainty showed a significant negative relationship ($r = -0.68$, $p < 0.01$) and was a substantial negative predictor, accounting for 46% of the variance in financial performance ($R^2 = 0.46$, $\beta = -0.68$). The multiple regression model revealed that these three factors collectively explained 67% of the variance in financial performance ($R^2 = 0.67$, $F(3,141) = 95.84$, $p < 0.001$). The findings align with the Dynamic Capabilities Theory, highlighting that resource access is the most critical factor for resilience, while operational and market shocks are significant threats. The study recommends that policymakers and business stakeholders develop interventions aimed at improving access to financial and digital resources, building robust supply chains, and enhancing market intelligence systems to boost the performance and sustainability of small-scale businesses.

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CHAPTER ONE
INTRODUCTION

1.1 Introduction

This section presents the general overview of the study, laying the foundation for understanding the relationship between the COVID-19 pandemic and Financial Performance of SMS in Kakoba Davison, Mbarara City. It introduces the study's key focus areas, including the context, background, and rationale for the research. The chapter outlines the historical, theoretical, conceptual, and contextual perspectives, as well as the problem statement, research objectives, hypotheses, scope, and significance of the study. The study providing this foundational insight, the chapter aims to position the research within the broader academic and policy discussions surrounding the effects of pandemics on business operations, particularly in developing economies.

1.2 Background of the study

The background of the study was comprised of historical, theoretical, conceptual and contextual perspectives.

1.2.1 Historical Perspective

The COVID-19 pandemic, which began in Wuhan, China in December 2019, was declared a global pandemic by the World Health Organization on 11 March 2020 (Brighton et al., 2023). This declaration triggered extensive public health measures including lockdowns, travel restrictions, and closure of non-essential businesses worldwide (WHO, 2020). These containment strategies had far-reaching impacts on the retail sector, particularly through the disruption of physical retail outlets and global supply chains (Shenjere & Middelberg, 2023). According to findings published in the Journal of Economic and Financial Sciences, the sudden shift in consumer behaviour driven by fear of infection and mobility restrictions caused a steep decline in in-store retail activities and accelerated a transition to digital commerce models (Shenjere & Middelberg, 2023). Global e-commerce sales were reported to have surged from USD 4.2 trillion in 2020 to USD 5.5 trillion by 2022, a trend attributed to pandemic-induced changes in shopping behaviour and business models (UNCTAD, 2022; OECD, 2021). Therefore, the COVID-19 crisis not only disrupted traditional retail mechanisms but also fast-tracked the global retail sector’s shift to digital platforms (Sophie & Crispus, 2024).

In Sub-Saharan Africa, the pandemic intensified existing economic vulnerabilities, particularly within the small and medium enterprise (SME) sector(Ahumuza et al., 2025). According to Forson et al. (2022), data from the World Bank Enterprise Survey showed that approximately 88% of firms faced liquidity challenges, with over 55% temporarily shutting down operations, and around 8% closing permanently. These challenges were more severe among micro-enterprises and informal traders, who lacked access to formal financial support mechanisms (Omoruyi et al., 2022). However, the crisis also catalysed digital financial inclusion. Mobile money usage, for instance, surged significantly during the lockdowns as traditional banking services became inaccessible (GSMA, 2021). In countries like Kenya, Uganda, and Ghana, mobile money became the primary mode of transaction

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among small retailers, reflecting an important shift in Africa's retail financial landscape (Klapper et al., 2021). Moreover, the rise in e-commerce adoption was evident as platforms such as Jumia recorded a dramatic increase in users and orders, showcasing resilience and adaptation among African retailers (McKinsey & Company, 2021).

Uganda reported its first COVID-19 case on 18 March 2020, after which the government instituted stringent containment measures including lockdowns, border closures, curfews, and a ban on public transportation (Nchanji et al., 2021). These restrictions severely impacted retail activities, especially in urban and peri-urban areas where businesses heavily depend on human traffic and transportation networks(Winny et al., 2023). According to a study by the Bank of Uganda (2021), small retail enterprises experienced significant revenue losses, delays in stock replenishment, and increasing operational costs(Alex & Moses, 2024). Informal businesses, especially in cities like Mbarara, were disproportionately affected due to their reliance on daily cash flow and limited access to digital platforms (Uganda Bureau of Statistics, 2022). Despite these challenges, local adaptations were evident. Retailers in Mbarara increasingly adopted mobile money transactions and informal delivery systems using boda-bodas to reach customers during movement restrictions (Nabukeera, 2022). These coping mechanisms are consistent with regional resilience strategies documented by Forson et al. (2022), who emphasized the role of digital tools in sustaining micro-retail operations during the pandemic across Sub-Saharan Africa.

1.2.2 Theoretical Perspective

Here is your rewritten version in past tense, with clearer emphasis on applicability, relevance, and assumptions of the theory:

The Dynamic Capability Theory (DCT), originally proposed by Teece, Pisano, and Shuen (1997), provided a critical lens for understanding how firms maintained competitive advantage in rapidly changing and uncertain environments. The theory assumed that firm success depended less on the possession of static resources and more on the ability to integrate, build, and reconfigure internal and external competencies in response to environmental shifts (Teece, 2007; Eisenhardt & Martin, 2000). Central to DCT were three core capabilities: sensing opportunities and threats, seizing opportunities through the mobilization of resources, and transforming organizational processes to sustain long-term performance (Teece, 2018; Wang & Ahmed, 2007). The theory further assumed that dynamic capabilities were embedded in organizational routines and managerial decision-making processes, enabling firms to remain flexible, adaptive, and innovative during periods of crisis (Helfat et al., 2007).

The applicability of DCT to this study lay in its emphasis on adaptability and strategic renewal, which were particularly relevant in volatile contexts such as the COVID-19 pandemic, where external shocks required rapid organizational adjustments to maintain business continuity (Zollo & Winter, 2002; Teece, 2020). The theory was relevant in explaining variations in financial performance among small and medium-sized enterprises (SMEs), as firms that effectively sensed environmental changes, seized emerging opportunities, and transformed their operations were more likely to sustain or improve performance. For instance, retailers who adopted digital

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payment systems, restructured supply chains, or innovated delivery mechanisms demonstrated practical manifestations of dynamic capabilities that enhanced resilience during the pandemic (Nabukeera, 2022; Teece, 2020).

Nevertheless, the theory operated under certain assumptions that presented limitations. It assumed the existence of managerial capacity and organizational structures capable of deliberate capability development, which might not always be present in small-scale or informal enterprises. Additionally, DCT was frequently criticized for conceptual ambiguity and the difficulty of empirically measuring intangible dynamic capabilities, which could vary significantly across firms and over time (Arend & Bromiley, 2009; Barreto, 2010). The theory also implicitly required longitudinal analysis to capture the evolution of capabilities, an approach that could be constrained in cross-sectional or short-term studies (Eisenhardt & Martin, 2000).Despite these weaknesses, DCT's focus on continuous adaptation and transformation renders it an excellent framework for understanding the divergent performance outcomes of retail businesses in Mbarara City during the pandemic, where internal agility determined survival.

1.2.3 Conceptual Perspective

This study was underpinned by a conceptual framework that links the COVID-19 pandemic (independent variable) to Financial Performance of SMS (dependent variable) in Mbarara City(Gillis & Krull, 2020). The COVID-19 pandemic refers to multifaceted disruptions in the business environment caused by government-imposed lockdowns, social distancing measures, and restrictions on economic activities (Ivanov, 2020; Sheth, 2020). Such external shocks negatively influenced cash flow, customer footfall, and inventory management, which are critical determinants of business performance (He & Harris, 2020). Financial Performance of SMS refers to the ability of a business to generate revenue, maintain profitability, and sustain operations, measured through indicators such as sales revenue, profit margins, and operational continuity (Faridah et al., 2023). This perspective views the pandemic as a significant environmental factor altering market dynamics and consumer behaviour, with direct implications for financial outcomes in the retail sector (Ivan et al., 2023a).

A key dimension of the conceptual framework involves operational disruption, which refers to interruptions in daily business activities caused by supply chain breakdowns, labor shortages, mandatory health protocols, and restricted business hours (Queiroz et al., 2020; Ivanov, 2021). These operational challenges serve as mediating variables influencing the extent to which COVID-19 affects business outcomes(Winny et al., 2023). Recent empirical studies indicate that retailers experiencing severe operational disruptions were more likely to face revenue losses and customer dissatisfaction (Ivanov, 2021; Choi, Rogers, & Vakil, 2020). Additionally, reduced consumer demand, which refers to a decline in customer purchases and footfall due to mobility restrictions and income reduction, further exacerbated financial pressures on retail businesses(Winny et al., 2023). Therefore, operational challenges and demand reduction are integrated into the framework as key mechanisms through which the pandemic influences Financial Performance of SMS.

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The conceptual perspective also incorporates adaptive strategies as moderating variables, which refer to actions taken by businesses to mitigate pandemic impacts and sustain performance, including digital transformation, mobile money integration, home delivery services, and flexible workforce management (Kraus et al., 2020; Nabukeera, 2022). For example, retailers adopting mobile money payments and boda-boda delivery services were able to maintain customer engagement despite mobility restrictions (Julius & Matovu, 2025). These strategies modulate the relationship between pandemic-induced operational challenges and Financial Performance of SMS, highlighting the role of internal adaptation in sustaining financial outcomes (Brian et al., 2024).

Finally, the framework recognizes external support mechanisms as contextual variables, which refer to government policies, financial aid, and community initiatives that influence business resilience during crises. Studies by the World Bank (2021) and UNDP (2022) show that effective interventions, such as emergency credit facilities, tax relief, and policy guidance, enhance SMEs' ability to continue operations during disruptions. Conversely, insufficient support can exacerbate vulnerabilities and impede recovery (OECD, 2020). In Mbarara City, government and stakeholder involvement in facilitating access to credit, enforcing health guidelines, and promoting digital literacy significantly affects how retail businesses cope and perform amid the pandemic (Bank of Uganda, 2021). Thus, the conceptual framework systematically integrates independent variables (operational disruption, reduced consumer demand, access to resources), moderating variables (adaptive strategies), and contextual variables (external support mechanisms) to explain their relationship with the dependent variable, Financial Performance of SMS, providing a comprehensive basis for the study's objectives (Julius & Matovu, 2025).

1.2.4 Contextual Perspective

Kakoba Division, a key commercial zone within Mbarara City in Western Uganda, is a significant hub for trade, retail, and services, serving both urban consumers and surrounding peri-urban areas (UBOS, 2022). The division's economy relies heavily on small and medium-sized retail enterprises, which contribute substantially to employment, household incomes, and local economic activity (Nabukeera, 2022). Recent data indicate that the COVID-19 pandemic disrupted these economic activities, particularly affecting retail businesses through supply chain interruptions, restricted market access, and reduced consumer purchasing power (Bank of Uganda, 2021; Nchanji et al., 2021). These challenges align with the study's independent variables, pandemic-induced disruptions, which fundamentally affect the financial performance of small-scale businesses in Kakoba Division(Tasha et al., 2023).

According to a recent regional survey, retail businesses in Kakoba faced significant operational challenges during the pandemic, including shortages of stock due to interrupted supply chains and increased costs of doing business as a result of adhering to health guidelines such as social distancing, frequent sanitization, and limited in-store capacity (Mbarara City Local Government Report, 2022). The Ministry of Health (MoH) Uganda issued these public health directives to mitigate the spread of COVID-19, which, while necessary for public safety, indirectly

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constrained retail operations (MoH Uganda, 2021). These challenges directly correlate with the study's objective to assess the impact of operational constraints on business performance(Lydia et al., 2023). Movement restrictions and reduced customer footfall further exacerbated revenue losses, which many retailers identified as a major threat to business sustainability (Nabukeera, 2022). Thus, the contextual environment underscores the practical difficulties faced by retailers in Kakoba Division.

In response to these disruptions, many retail businesses in Kakoba adopted innovative coping strategies, including the integration of mobile money payment systems and the use of boda-boda (motorcycle taxi) delivery services to reach customers amid movement restrictions (Nabukeera, 2022; Bank of Uganda, 2021). These adaptive measures reflect one of the study's focal points: exploring how such strategies mitigate pandemic impacts on business outcomes. Nevertheless, uneven access to digital technologies and financial services presents a notable barrier, limiting the effectiveness of these strategies for some retailers, particularly those with limited capital or less technological literacy (UBOS, 2022). This variation highlights a critical gap in resilience within the retail sector in Kakoba Division.

Finally, the role of government interventions and local institutional support has been pivotal in shaping retail businesses' response to the pandemic in Kakoba Division(Winny et al., 2023). The government's provision of financial relief, tax waivers, and enforcement of health protocols created both opportunities and constraints for businesses (Bank of Uganda, 2021; Uganda Ministry of Trade, 2022). The MoH Uganda provided guidance on safe reopening of businesses, hygiene protocols, and crowd control, which, while not directly linked to financial performance, significantly affected operational capacity and compliance costs (MoH Uganda, 2021). However, according to a recent study by Nchanji et al. (2021), many small retailers reported insufficient access to formal credit and delays in government support programs, which hampered their ability to recover quickly(Derrick et al., 2023). These institutional factors relate directly to the study's interest in external support as a determinant of retail performance during crises. Collectively, the contextual perspective of Kakoba Division provides a comprehensive background that situates the research problem within real-world challenges faced by local retailers.

1.3 Statement of the problem

Retail businesses operate in a stable environment where supply chains function efficiently, consumer demand remains consistent, and entrepreneurs have access to financial services and technological infrastructure that enable smooth transactions and sustainable growth (World Bank, 2021). Retailers are able to anticipate market needs, maintain adequate inventory levels, and respond flexibly to changing consumer preferences without significant interruptions (OECD, 2020). Such a scenario supports steady income generation, job creation, and economic development, especially in emerging economies like Uganda (UBOS, 2022).

However, the real situation during the COVID-19 pandemic sharply contrasts with this ideal. Nationally and regionally, retail businesses particularly (SMEs) have faced unprecedented disruptions(Alex et al., 2024). According to the Bank of Uganda (2021), pandemic-related restrictions such as lockdowns and curfews severely

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restricted movement of goods and people, leading to supply chain interruptions and drastic drops in customer footfall(A. I. Kazaara & Audrey, 2024). Research by Nchanji et al. (2021) indicates that many retailers experienced severe liquidity shortages, difficulties in restocking products, and increased operational costs due to compliance with health protocols. In Mbarara City specifically, these disruptions manifested as reduced sales, stock shortages, and increased reliance on informal delivery mechanisms like Boda-Boda, which while adaptive, also exposed businesses to new risks and inefficiencies (Nabukeera, 2022). These pandemic-induced constraints represent key independent variables that significantly influence Financial Performance of SMS, the dependent variable of this study(Sarah & Audrey, 2024).

The effects of these disruptions extend beyond immediate financial losses. Prolonged operational challenges have resulted in business closures, loss of employment, and heightened economic vulnerability among retail entrepreneurs and their communities (Forson et al., 2022; UNDP, 2022). If not addressed, these issues threaten to reverse years of progress in poverty reduction and economic inclusion in regions like Mbarara, undermining local economic resilience and social stability (World Bank, 2021). The lack of effective coping strategies and insufficient institutional support exacerbate these negative outcomes, limiting the ability of retailers to adapt, innovate, or recover post-pandemic (OECD, 2020). Given the above, this study aims to fill the knowledge gap by examining how the COVID-19 pandemic has impacted Financial Performance of SMS in Kakoba Division, Mbarara City.

1.4 General Objective

To examine the relationship between the COVID-19 pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City.

1.4.1 Specific Objectives

i. To assess the relationship between operational disruption caused by the COVID-19 pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City.

ii. To examine the relationship between access to resources during the COVID-19 pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City.

iii. To analyse the relationship between market uncertainty resulting from the COVID-19 pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City.

1.4.2 Hypotheses

H_1: There is no positive significant relationship between Operation Disruption and Financial Performance of SMS in Kakoba Division, Mbarara City during the COVID-19 pandemic.

H_2: There is no significant relationship between Access to Resources and Financial Performance of SMS in Kakoba Division, Mbarara City.

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H_3: There is no significant relationship between Market Uncertainty and Financial Performance of SMS in Kakoba Division, Mbarara City.

1.5 Scope of the Study

1.5.1 Geographical Scope

This study was geographically limited to Kakoba Division, Mbarara City in Western Uganda. Kakoba Division was selected because it is a major commercial hub with a diverse and vibrant retail sector that was significantly affected by the COVID-19 pandemic. The division's mix of urban and peri-urban settings provided a representative context in which to study the pandemic's impact on retail businesses(A. G. Kazaara et al., 2024). Its strategic location as a regional trade centre made it an ideal case for assessing retail resilience and adaptation in response to external shocks(Sophie & Crispus, 2024). The findings were expected to be relevant for similar districts in Uganda and the broader East African region. The findings of the study were considered applicable not only to Kakoba Division but also to neighbouring districts surrounding Mbarara District(Julius & Matovu, 2025). To the south, the results were relevant to Ntungamo District and Isingiro District, which share similar cross-border trade and retail characteristics. To the east, the findings were applicable to Kiruhura District, where small retail enterprises operate under comparable rural-urban transition dynamics. To the north, the study provided insights relevant to Ibanda District and Sheema District, which exhibit similar SME structures and market dependency patterns(Ivan et al., 2023b). To the west, the results were relevant to Rwampara District and Bushenyi District, where retail businesses operate within comparable economic and infrastructural conditions

1.5.2 Content Scope

The study focused on the relationship between the COVID-19 pandemic and the financial performance of small and medium-scale (SMS) businesses, specifically analysing three components of the pandemic as independent variables: operational disruption, access to resources, and market uncertainty. The dependent variable was the financial performance of SMS businesses, measured by sales revenue, profitability, and business continuity. The research also explored mediating factors such as adaptive strategies and the moderating effects of government support. However, the study did not cover other sectors outside retail or a detailed consumer behaviour analysis.

1.5.3 Time Scope

The study focused on the period from 2020 to 2025, covering the timeline during which the COVID-19 pandemic emerged and its subsequent impact on retail businesses in Kakoba Division, Mbarara City. This timeframe allowed for the analysis of the immediate effects of the pandemic as well as the ongoing recovery and adaptation processes. By examining data and events within these years, the study captured both the onset of disruptions and the longer-term performance trends in the retail sector. The research itself was conducted over a four-month period from April to July 2025, which provided sufficient time for comprehensive data collection and analysis.

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1.6 Significance of the Study

This study will hold significant value for a wide range of stakeholders who are directly or indirectly involved in the retail sector and economic development in Kakoba Division, Mbarara City, and Uganda at large.

First, the findings will provide retail business owners and managers with a deeper understanding of how the COVID-19 pandemic influenced their operational efficiency and financial performance. The insights on adaptive strategies and resource challenges will inform their future strategic planning, thereby enhancing business resilience against subsequent disruptions.

Second, for policymakers and government institutions, such as the Ministry of Trade, Industry and Cooperatives and local government authorities, this research will offer empirical evidence to shape responsive policies. The results may inform the design of targeted support mechanisms, including financial relief packages, regulatory adjustments, and capacity-building initiatives tailored to the needs of small-scale enterprises during crises.

Third, financial institutions, microfinance organizations, and development partners will be able to utilize the findings to refine their product offerings. By understanding the specific barriers to resource access that retailers faced, these entities may develop more inclusive financial products and technical assistance programs that promote business continuity and growth in a post-pandemic economy.

Fourth, for academia and future researchers, this study will contribute empirical data and theoretical insights to the existing body of knowledge on public health crises and business performance in emerging economies. It will provide a foundation for further research on crisis management, economic resilience, and retail sector dynamics in contexts similar to Uganda.

Finally, the local community and consumers will benefit indirectly from this study. The recommendations aimed at sustaining retail businesses will help ensure the continued provision of essential goods and services. A resilient retail sector supports local employment, income generation, and overall community well-being, which are crucial for long-term socio-economic stability.

This research is poised to inform practical business solutions, evidence-based policy formulation, and academic discourse, thereby contributing to the sustainable recovery and growth of the small-scale business sector.

1.7 Justification of the Study

The COVID-19 pandemic caused unprecedented disruptions to global economic activities, with small-scale businesses proving particularly vulnerable due to their limited financial reserves and operational flexibility. In Kakoba Division, Mbarara City, these enterprises experienced profound challenges, including steep declines in sales revenue, severe supply chain interruptions, and escalating operational costs due to mandated health protocols. Despite the observable severity of these issues, a significant empirical gap exists regarding the specific impact of pandemic-induced disruptions on the financial performance of small-scale retailers in this locality.

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This study is justified by its direct aim to fill this critical knowledge gap. It will provide data-driven insights into how operational disruptions, market uncertainty, and constrained access to resources have influenced business viability and sustainability in Kakoba Division. By focusing on this specific context, the research will generate localized evidence that captures the unique dynamics of the small-scale retail sector in a Ugandan urban division.

Furthermore, this research is warranted by its potential for practical application. The findings will offer valuable insights for business owners and managers, enabling them to develop more robust strategies for future crises. For policymakers and development partners, the empirical evidence will be crucial for designing targeted support mechanisms, such as financial relief programs and capacity-building initiatives, that are specifically tailored to the needs of these enterprises. Consequently, this study is essential as it addresses a clear academic void and provides a foundational basis for enhancing the resilience and sustainability of a critical component of the local economy.

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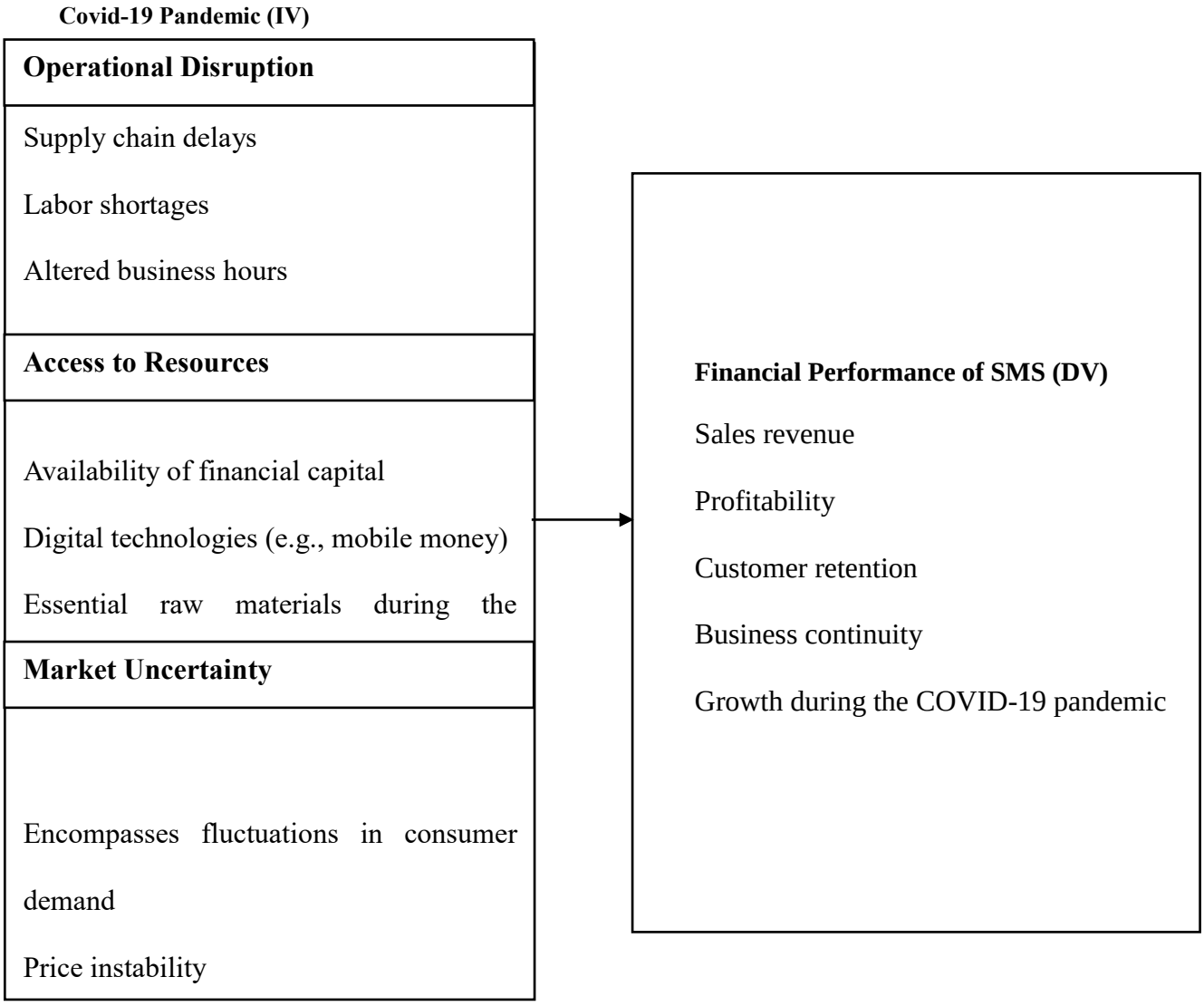
1.8 Conceptual Framework



Source: Developed by Queiroz et al. (2020), Ivanov (2021) modified by researcher, 2025).

Figure 1: The conceptual framework for this study illustrates the relationship between the COVID-19 pandemic as the independent variable (IV) and Financial Performance of SMS as the dependent variable (DV) in Kakoba Division, Mbarara City.

The conceptual framework for this study captures the relationship between the COVID-19 pandemic, operationalized through operational disruption, access to resources, and market uncertainty, and Financial Performance of SMS in Kakoba Division, Mbarara City. These independent variables represent the external shocks and constraints that retail businesses faced during the pandemic, such as interrupted supply chains, limited availability of financial and technological resources, and unpredictable market demand. Financial Performance of SMS, the dependent variable, is assessed through indicators such as sales revenue, profitability, and business

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continuity. This framework provides a systematic way to analyze how these pandemic-induced challenges have affected retail outcomes, offering a focused lens on key drivers of business resilience or decline.

This framework signifies the assumptions of the Dynamic Capability Theory (DCT) by emphasizing the need for firms to sense, seize, and transform in response to external environmental changes (Teece, 2007). The pandemic's operational disruptions and resource constraints require retailers to dynamically adapt by reconfiguring their internal competencies and mobilizing new resources, such as digital payment systems or delivery networks, to sustain performance. Access to resources and market uncertainty further stress the necessity for firms to develop sensing capabilities to identify emerging threats and opportunities and seize them through timely strategic actions. This aligns with DCT's core assumption that sustainable competitive advantage arises from a firm's ability to continuously evolve in volatile environments.

Furthermore, this framework integrates moderating, mediating, and intervening variables to deepen the understanding of how various factors influence the core relationship between COVID-19 impacts and Financial Performance of SMS. Moderating variables such as government policy (e.g., lockdown regulations, tax relief, or business stimulus programs) and economic factors (e.g., interest rates and inflation) may strengthen or weaken the effects of the independent variables on retail performance. For instance, favourable government policies could buffer the negative effects of market uncertainty or operational disruptions. Mediating variables such as technological adoption (e.g., e-commerce platforms or mobile payment systems) may explain how access to resources translates into improved business outcomes. Meanwhile, intervening variables like management practices, business agility, and co-funding opportunities may shape how firms respond to external shocks, influencing the path from resource constraints to performance results.

Moreover, the inclusion of adaptive strategies and external support mechanisms in the conceptual framework reflects DCT's focus on transformation capabilities. Retailers' ability to innovate operational processes, adopt new technologies, and leverage government or donor support during the pandemic exemplifies dynamic capabilities in practice. These capabilities enable firms not only to survive immediate shocks but also to position themselves for long-term growth despite uncertainty. Therefore, this conceptual framework operationalizes Dynamic Capability Theory by illustrating how internal capabilities and external factors both direct and indirect interact to shape Financial Performance of SMS amid the COVID-19 crisis. It provides both theoretical grounding and practical insights aligned with the study's objectives, and sets a foundation for empirical investigation using a structured, multidimensional analytical lens.

1.9 Operational Definition of Key Terms

COVID-19 Pandemic

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Refers to the global outbreak of the novel coronavirus disease starting in late 2019, which caused widespread health crises and economic disruptions, including government-imposed lockdowns and public health measures that affected business operations (WHO, 2020).

Operational Disruption

Interruptions in the normal functioning of retail businesses caused by factors such as supply chain delays, reduced workforce availability, restricted operating hours, and decreased customer footfall due to COVID-19 restrictions (Ivanov, 2021).

Access to Resources

The availability and ability of retail businesses to obtain necessary inputs such as financial capital, raw materials, digital technologies (e.g., mobile money platforms), and skilled labor to maintain and adapt operations during the pandemic (Bank of Uganda, 2021).

Market Uncertainty

The unpredictability of market conditions, including fluctuations in consumer demand, price instability, and economic volatility, resulting from the pandemic and affecting retailers' strategic planning and performance (Sheth, 2020).

Financial Performance of SMS

The measurable outcomes of retail enterprises, including sales revenue, profitability, customer retention, and business continuity during and after the COVID-19 pandemic period (Forson et al., 2022).

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CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature on the effects of the COVID-19 pandemic on Financial Performance of SMS, focusing on the key variables of operational disruption, access to resources, and market uncertainty. It also explores adaptive strategies and external support mechanisms that influence business resilience. The review draws on global, regional, and local studies to establish the theoretical and empirical foundations for the current study.

2.2 Theoretical Review

The study was grounded in the Dynamic Capability Theory (DCT), originally advanced by Teece, Pisano, and Shuen (1997). DCT emerged as an extension of earlier strategic management perspectives, particularly the Resource-Based View, by shifting attention from the possession of valuable resources to the firm's capacity to renew and reconfigure those resources in changing environments. Teece (2007) conceptualized dynamic capabilities as the organization's ability to integrate, build, and reconfigure internal and external competencies in response to rapid environmental shifts. Central to the theory were three interrelated processes: sensing opportunities and threats, seizing opportunities through the mobilization of resources, and transforming organizational structures and routines to sustain competitive advantage over time.

Theoretical review literature indicated that DCT had been widely employed to explain how firms responded to environmental turbulence, technological change, and crisis situations. Studies in areas such as supply chain management, innovation strategy, and crisis recovery (Teece, 2018; Helfat & Martin, 2015) demonstrated that firms possessing strong sensing, seizing, and transforming capabilities were more likely to achieve sustainable performance outcomes. More recent empirical work (e.g., Wang & Ahmed, 2022; Pavlou & El Sawy, 2021) further showed that during large-scale disruptions such as the COVID-19 pandemic, dynamic capabilities enhanced organizational resilience by enabling firms to adapt operations, reallocate resources, and exploit emerging opportunities.

The applicability of DCT to this study lay in its explanatory power regarding how retail businesses in Kakoba Division, Mbarara City responded to the multifaceted disruptions triggered by the COVID-19 pandemic. The theory provided a framework for analyzing how operational disruptions, resource constraints, and market uncertainty interacted with internal managerial capabilities to influence financial performance(David et al., 2023). Its emphasis on adaptability and strategic renewal made it particularly relevant in examining whether small-scale retail enterprises could reconfigure routines, adopt new technologies, or diversify supply chains in order to remain viable under crisis conditions(Alex et al., 2024).

The relevance of DCT in this context was further reinforced by its focus on organizational agility as a determinant of competitive survival in volatile environments. In developing economies, where institutional support systems

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may be weaker and external shocks more destabilizing, the ability of firms to internally mobilize and redeploy resources becomes even more critical(Ramadhan et al., 2023). Thus, DCT offered a useful lens for understanding variations in performance among businesses operating within the same external shock environment.

Nevertheless, the theory has been subject to several critiques. Scholars such as Arend and Bromiley (2009) argued that DCT suffers from conceptual ambiguity, with unclear boundaries between resources, capabilities, and dynamic capabilities. Others noted the difficulty of operationalizing and empirically measuring intangible capabilities, which often evolve over time and require longitudinal analysis (Eisenhardt & Martin, 2000; Barreto, 2010). Additionally, critics have questioned whether the theory sufficiently accounts for structural constraints faced by micro and informal enterprises, whose limited managerial capacity and resource base may restrict deliberate capability development. These critiques suggest that while DCT provides a robust analytical framework, its application to small-scale businesses in developing contexts requires careful contextual adaptation. In this study, DCT provides the theoretical basis for analyzing how retail enterprises in Kakoba Division, Mbarara City developed and deployed adaptive strategies to manage operational disruptions, secure access to critical resources, and cope with market uncertainty triggered by the COVID-19 pandemic. By applying this theoretical framework to practical business challenges, the study assesses how dynamic capabilities contributed to retail business resilience and performance, thereby addressing a gap in knowledge about small and medium enterprises in developing country contexts affected by global health crises.

2.3 Conceptual Review

2.3.1 Concept of COVID-19 Pandemic

The COVID-19 pandemic is conceptualized in this study as a multidimensional external shock, operationalized through three key independent variables: operational disruption, access to resources, and market uncertainty. These components provide a framework for analyzing how the pandemic influenced the financial performance of small and medium-scale businesses (SMS).

Operational disruption refers to the disturbances in standard business processes caused by the pandemic. This variable is measured by evaluating interruptions in supply chain activities, government-mandated changes in operating hours, and constraints in labor availability. These factors were widely identified as primary constraints during the pandemic (Ivanov, 2021; Queiroz et al., 2020). Ivanov (2021) demonstrated that disruptions such as delayed deliveries and workforce shortages significantly impaired business continuity, directly affecting sales and profitability. In this study, operational disruption is examined to assess its direct relationship with the financial performance of SMS in Kakoba Division, Mbarara City.

The second independent variable, access to resources, pertains to the availability and accessibility of critical inputs necessary for business operations during the pandemic. This includes financial capital, technological tools (such as digital payment systems), and raw materials. Recent research by Forson et al. (2022) emphasized that

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constrained access to these resources limited the adaptive capacity of retailers under COVID-19 conditions. Supporting this, the Bank of Uganda (2021) indicated that businesses with better resource access demonstrated greater resilience. Consequently, this study operationalizes access to resources through metrics such as loan acquisition, utilization of digital platforms, and material supply availability, anticipating a significant effect on performance outcomes like sales growth and customer retention.

Market uncertainty, the third component, captures the unpredictable and volatile nature of the business environment during the pandemic(Julius, 2024). It reflects instability in consumer demand, pricing mechanisms, and overall economic conditions. Drawing on the work of Sheth (2020) and the OECD (2020), this variable is measured by evaluating fluctuations in demand patterns, price variability, and retailers' perceptions of economic risk. As Kraus et al. (2020) indicated, heightened market uncertainty often compels businesses to adopt conservative strategies, such as reducing investments and inventory levels, which can adversely affect performance(Julius, 2024). Therefore, this study analyzes how the degree of market uncertainty experienced by retail businesses shaped their operational efficiency, profitability, and survival rates, thereby linking this independent variable directly to the dependent variable the financial performance of SMS.

2.3.2 Concept of Financial Performance

Financial performance refers to the degree to which a business achieves its financial objectives, typically measured through profitability, liquidity, solvency, and overall revenue growth. According to Agyapong and Attram (2019), financial performance provides an essential benchmark for evaluating the viability and sustainability of enterprises, particularly small-scale businesses that operate with limited capital and resources. Key indicators often include net profit margins, return on investment (ROI), sales turnover, and cost management efficiency. In this study, financial performance is assessed by examining how small-scale businesses in Kakoba Division managed their revenues, expenses, and profitability during and after the COVID-19 pandemic. This focus allows the research to capture the core economic health of businesses, which is central to survival and growth in a highly uncertain environment.

Furthermore, literature highlights that the COVID-19 pandemic redefined the financial performance of small-scale businesses, with many experiencing sharp declines in revenue, escalating operational costs, and constrained cash flows (Donthu & Gustafsson, 2020; Kraus et al., 2020). Beyond traditional measures, scholars such as Ivanov (2021) argue that financial performance during crises should also account for resilience factors, such as the ability to sustain operations, retain customers, and manage resources efficiently under financial stress. In Kakoba Division, financial performance is therefore conceptualized not only in terms of profitability and sales but also in terms of business continuity, debt management, and access to financial relief programs. This multidimensional approach enables the study to present a comprehensive evaluation of how small-scale businesses have financially navigated the disruptions caused by the pandemic.

2.4 Empirical Studies

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2.4.1 Operational Disruption

Operational disruption during the COVID-19 pandemic refers to the interruptions in the normal functioning of retail businesses caused by external shocks, including supply chain breakdowns, labor shortages, and shifts in consumer behavior. This conceptualization is grounded in the understanding that retail operations depend on efficient supply chains and consistent workforce availability to maintain service delivery (Ivanov, 2021). Queiroz et al. (2020) demonstrated that pandemic-related lockdowns and transport restrictions caused significant delays in inventory replenishment, leading to stockouts and lost sales. Consequently, measuring operational disruption involves assessing both the frequency and severity of such interruptions and their direct impact on key business outputs, including sales volume and customer satisfaction.

The concept of operational disruption extends beyond supply chain issues to encompass changes in business operations mandated by public health regulations. Forson et al. (2022) indicated that many retailers were compelled to reduce operating hours or temporarily close stores to comply with social distancing and sanitation protocols, directly affecting customer footfall and revenue generation. Building on this understanding, the present study measures operational disruption through metrics such as alterations in operating schedules and the duration of forced closures, providing critical insight into how regulatory constraints translated into tangible performance challenges for retailers.

Labor availability represents another crucial dimension of operational disruption highlighted in recent literature. Workforce shortages resulting from illness, quarantine requirements, and mobility restrictions significantly limited retailers' capacity to maintain normal service levels (Sheth, 2020; Kraus et al., 2020). Sheth (2020) specifically noted that businesses experiencing severe labor disruptions demonstrated marked declines in both operational efficiency and customer service quality. This study therefore captures labor-related disruptions through indicators including absenteeism rates, staffing shortages, and adaptations in workforce management practices, thereby elucidating the relationship between workforce challenges and retail business outcomes.

Furthermore, operational disruption is intrinsically linked to pandemic-induced changes in customer behavior. Contemporary research has established that consumers' infection concerns, preference shifts toward online shopping, and fluctuating demand patterns created unpredictable operational challenges for retailers (Kraus et al., 2020; OECD, 2020). These demand-side shocks forced retailers to rapidly adjust their inventory management and service delivery systems, often while operating under significant resource constraints. Accordingly, this study incorporates customer footfall variations and demand volatility as integral components of operational disruption measurement, providing a comprehensive perspective on how both supply and demand factors collectively disturbed retail operations and performance.

In this study, operational disruption is measured through multiple interrelated indicators: supply chain delays, modifications to operating hours, forced closures, labor shortages, and customer demand fluctuations. This comprehensive measurement approach synthesizes recent empirical findings (Ivanov, 2021; Queiroz et al., 2020;

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Forson et al., 2022) and aligns with the research objectives to examine how these disruptions relate to the financial performance of small and medium-scale businesses in Kakoba Division, Mbarara City. Through this multidimensional operationalization, the study ensures precise measurement of the independent variable, thereby enabling robust analysis of its relationship with financial performance outcomes.

2.4.2 Access to Resources and Financial Performance of SMS

Access to resources represents a critical determinant of retail business resilience during the COVID-19 pandemic. This concept is grounded in the theoretical assertion that the availability of financial capital, technological infrastructure, and essential physical inputs fundamentally shapes a firm's capacity to adapt to external shocks (Forson et al., 2022). Empirical evidence from the Bank of Uganda (2021) confirms that numerous small and medium-sized retail enterprises encountered severe liquidity constraints and limited access to affordable credit, substantially impeding their ability to sustain operations and implement adaptive strategies. Consequently, this study measures access to financial resources through indicators of credit availability and utilization, recognizing their direct correlation with business survival and profitability outcomes (Forson et al., 2022; Bank of Uganda, 2021).

The accessibility of technological resources emerged as another crucial dimension during the pandemic period. Research by Nabukeera (2022) demonstrated that digital payment systems and e-commerce platforms significantly influenced the financial performance of small and medium-scale businesses. Supporting this finding, Forson et al. (2022) indicated that retailers who effectively leveraged digital tools for sales and marketing maintained stronger customer relationships despite movement restrictions and social distancing requirements. Accordingly, this study operationalizes technological access through metrics including adoption rates of mobile money platforms and online sales channels, establishing clear connections between these technological adaptations and financial performance outcomes (Nabukeera, 2022; Forson et al., 2022).

Physical resource accessibility, encompassing raw materials, inventory, and supply chain inputs, constitutes a third critical dimension affecting retail performance during COVID-19. Studies by Queiroz et al. (2020) and Ivanov (2021) established that widespread supply chain disruptions resulted in significant delays, inventory shortages, and cost escalations, collectively undermining product availability and profitability for retail businesses. This research therefore measures physical resource access through systematic tracking of availability, timeliness, and cost fluctuations of essential goods throughout the pandemic period, acknowledging their substantial influence on retail sales performance and customer satisfaction levels (Queiroz et al., 2020; Ivanov, 2021).

Labor resource availability represents the fourth essential component in the resource access framework. Sheth (2020) documented how shortages in both skilled and unskilled labor adversely affected operational efficiency and service quality in retail establishments during the pandemic. Complementing this research, Forson et al. (2022) observed that businesses maintaining stable labor resources demonstrated superior capability in sustaining operations and adapting to crisis conditions. Therefore, this study incorporates labor access indicators including

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workforce availability metrics, absenteeism rates, and skills retention measures to comprehensively capture the role of human resources in determining retail performance outcomes (Sheth, 2020; Forson et al., 2022).

In this study, access to resources is measured through four interconnected dimensions: financial capital availability, technological adoption levels, physical supply accessibility, and labor resource availability. This comprehensive operationalization draws upon substantial empirical research and provides a robust analytical framework for examining how resource access influenced the financial performance of small and medium-scale businesses during the COVID-19 pandemic (Forson et al., 2022; Bank of Uganda, 2021; Nabukeera, 2022; Queiroz et al., 2020; Ivanov, 2021; Sheth, 2020). This multidimensional approach ensures alignment with the study's research objectives while facilitating a nuanced understanding of how resource constraints shaped business outcomes during the crisis period.

2.4.3 Market Uncertainty and Financial Performance of SMS

Market uncertainty represents a significant factor influencing the financial performance of small and medium-scale businesses (SMS) by creating unpredictability in consumer demand, pricing structures, and overall economic conditions. This conceptualization builds on the established understanding that fluctuating market conditions constrain firms' capacity for accurate planning and forecasting, thereby directly impacting operational efficiency and financial outcomes (Sheth, 2020). The OECD (2020) documented that the COVID-19 pandemic generated unprecedented market volatility globally, substantially disrupting consumer confidence and spending patterns. Accordingly, this study measures market uncertainty through the assessment of demand fluctuations, price instability, and retailer risk perceptions, recognizing their direct implications for sales revenue and profitability metrics (Sheth, 2020; OECD, 2020).

Research by Kraus et al. (2020) further demonstrated that during periods of heightened uncertainty, retail businesses encounter substantial challenges in inventory management and customer retention due to inconsistent purchasing behavior and rapidly evolving consumer preferences. Building upon these findings, market uncertainty is operationalized in this study through specific metrics including demand volatility, frequency of price adjustments, and unpredictability in consumer decision-making patterns (Kraus et al., 2020). These indicators facilitate a systematic examination of how retail enterprises in Kakoba Division, Mbarara City navigated unstable market dynamics and how these dynamics ultimately affected their performance outcomes.

The conceptualization of market uncertainty additionally incorporates broader economic risks, including regulatory changes, inflationary pressures, and macroeconomic instability, all of which significantly influence retail business operations (Baker et al., 2020). Sheth (2020) emphasized that economic instability prompts more cautious consumer spending behavior and a pronounced focus on essential goods, resulting in fundamental shifts in product demand patterns and reduced profitability margins. Consequently, this study integrates both perceptions of economic risk and observed transformations in product demand into its measurement framework for market

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uncertainty, establishing clear connections between these factors and the financial performance of SMS during the pandemic period (Baker et al., 2020; Sheth, 2020).

Contemporary research by Pavlou and El Sawy (2021) reveals that elevated market uncertainty compels businesses to implement flexible and innovative strategies to mitigate risks and maintain performance levels. While some retailers successfully respond through product diversification and enhanced digital sales channels, others demonstrate limited adaptive capacity, resulting in divergent performance outcomes across the sector (Pavlou & El Sawy, 2021). Therefore, this study examines the relationship between perceived market uncertainty, strategic business responses, and key performance indicators including sales continuity and customer retention rates (Pavlou & El Sawy, 2021).

In this research, market uncertainty is measured through a multidimensional framework encompassing demand fluctuations, price instability, economic risk perceptions, and their collective influence on strategic responses and retail outcomes. This comprehensive measurement approach, firmly grounded in recent empirical studies (Sheth, 2020; Kraus et al., 2020; OECD, 2020; Baker et al., 2020; Pavlou & El Sawy, 2021), aligns precisely with the research objectives. It establishes a robust foundation for analyzing how unpredictable market conditions during the COVID-19 pandemic affected the financial performance of SMS in Kakoba Division, Mbarara City.

2.5 Literature Review Gaps

Theoretical Gap

Most prior studies relied broadly on crisis management or resilience perspectives without sufficiently grounding their analyses in an integrative theoretical framework such as the Dynamic Capability Theory. While disruptions were documented, limited attention was given to how sensing, seizing, and transforming capabilities theoretically explained variations in financial performance within small-scale retail enterprises. Furthermore, the applicability of Dynamic Capability Theory to informal and resource-constrained businesses in developing economies remained insufficiently interrogated.

Conceptual Gap

Existing research often examined operational disruption, access to resources, or market uncertainty in isolation rather than integrating them within a unified framework linked directly to financial performance outcomes. Many studies focused either on financial indicators or on qualitative accounts of business experiences, lacking a multidimensional conceptual model that connected environmental shocks, adaptive strategies, and measurable performance indicators. Additionally, the mediating role of adaptive strategies and external support mechanisms in shaping financial outcomes was underexplored, particularly within the Ugandan retail context.

Methodological Gap

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A significant proportion of earlier studies adopted either purely quantitative financial analyses or descriptive qualitative approaches, limiting comprehensive interpretation. Few studies employed integrated methodological designs capable of capturing both statistical relationships and contextual realities simultaneously. Moreover, there was limited use of localized empirical data from small retail enterprises in specific divisions such as Kakoba, with many findings generalized from national or cross-country datasets.

Historical Gap

While the COVID-19 pandemic generated a growing body of scholarship, much of the early research focused on immediate global economic shocks without adequately documenting localized, medium-term adaptive responses in smaller urban divisions. There remained limited historical documentation of how retail businesses in Kakoba Division, Mbarara City navigated successive waves of disruption and recovery phases during and after the pandemic period.

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CHAPTER THREE
METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used to conduct the study titled *"COVID-19 Pandemic and Financial Performance of SMS: A case of Kakoba Division, Mbarara City."* The chapter provides a detailed account of the research design, study area, target population, sample size determination, sampling technique, data sources, data collection methods and instruments, validity and reliability procedures, data collection process, data analysis techniques, ethical considerations, limitations, and delimitations of the study. These components were designed to ensure that the research is conducted in a systematic, reliable, and scientifically valid manner, in line with academic standards for graduate-level research.

3.2 Research Design

The study adopted a descriptive cross-sectional survey design. This design was appropriate for capturing data at a single point in time to assess the existing conditions and relationships between variables without influencing them. According to Creswell (2014), descriptive survey designs are useful when the aim is to describe the characteristics or relationships of variables within a population. The cross-sectional aspect enabled the researcher to examine the relationship between the COVID-19 pandemic (independent variables: operational disruption, access to resources, and market uncertainty) and the financial performance of SMS businesses (dependent variable) within a specific timeframe and geographical setting. This design also facilitated the use of both quantitative and qualitative data to enhance the reliability and applicability of the findings.

3.3 Study Area

The study was conducted in Kakoba Division, Mbarara City, located in the Western Region of Uganda. Mbarara City, which was elevated to city status in July 2020, is a major commercial and administrative hub for the Ankole sub-region. Kakoba Division was chosen as the focus area because it hosted a high concentration of small-scale businesses, including retail shops, food vendors, mobile money operators, salons, and other microenterprises that were central to the livelihoods of many residents.

The division had experienced a significant disruption of business operations during the Covid-19 pandemic, particularly as lockdowns and movement restrictions limited customer access and reduced cash flow for traders. Reports from the Uganda Bureau of Statistics (UBOS, 2021) and Mbarara City Council records indicated that small businesses within the division recorded notable declines in revenue and, in some cases, closures between 2020 and 2022. The area was therefore highly relevant for this study as it provided a rich context to examine how the pandemic affected the financial performance of small-scale businesses and the strategies they adopted during the recovery phase.

3.3.1 Target Population

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The target population for this study comprised registered small-scale retail businesses operating in Mbarara City. According to the Mbarara City Council Business Registry (2024), the city had approximately 650 registered small-scale businesses, employing an estimated 1,200 individuals including business owners, managers, supervisors, cashiers, and bookkeepers. For the purposes of this study, attention was focused on Kakoba Division, which hosted about 280 eligible small-scale retail traders who were actively engaged in daily business operations and financial decision-making. These included owners, managers, supervisors, and customer-facing staff across diverse sectors such as food and groceries, clothing and textiles, electronics, cosmetics, agro-inputs, and household goods.

This population was considered appropriate because small-scale enterprises were among the most affected by the COVID-19 pandemic, having faced reduced consumer demand, supply chain disruptions, and limited access to financial resources. Kakoba Division was therefore purposively selected as a representative area within Mbarara City to assess the relationship between the COVID-19 pandemic and the financial performance of small-scale retail businesses.

3.4 Sample Size Determination

Given a finite population of 280 eligible retail traders, the sample size for this study was determined using Slovin's Formula (1960): $n = \frac{N}{1+N(e)^2}$

Where:

- n = sample size
- N = total population (280)
- e = margin of error (0.05)

Substituting values:

$$n = \frac{280}{1 + 280(0.05)^2} = \frac{280}{1.7} \approx \mathbf{165}$$

Hence, a sample of 165 respondents was selected to ensure statistical reliability at a 95% confidence level. This sample size was deemed sufficient to allow for the generalizability of the findings to the broader retail sector in Kakoba Division, Mbarara City.

3.5 Sampling Techniques and Distribution

To ensure fair and representative data collection, the study employed a stratified random sampling technique for the major respondent categories. The total population of traders was stratified based on key business categories (e.g., food, clothing, electronics, etc.), and a proportionate number of respondents were randomly selected from each stratum. This method ensured that the diversity within the retail sector was adequately captured, thus enhancing the representativeness and validity of the findings.

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Purposive sampling was strictly limited to specialised respondent categories that were few in number and whose selection needed to be based on expert relevance. These included government officials from the Ministry of Trade, Industry and Cooperatives (MTIC), Uganda Revenue Authority (URA), and Ministry of Health (MoH), as well as a small number of technical staff such as bookkeepers.

3.5.1 Sample Size Distribution Table

No.	Respondent Category	Estimated Population	Sample Size	Sampling Technique
1	Business Owners & Managers	70	41	Stratified Random Sampling
2	Supervisors & Cashiers	65	38	Stratified Random Sampling
3	Customers/Consumers	120	71	Stratified Random Sampling
4	Government Officials (MTIC, URA, MoH)	25	15	Purposive Sampling
	Total	**280**	**165**	

Source: Designed by Researcher (2025)

This table demonstrated a structured sampling plan that aligned with the methodological expectations by limiting purposive sampling and enhancing generalisability through stratified random sampling.

3.5 Sources of Data

The study relied on both primary and secondary sources of data.

3.5.1 Primary Data

Primary data were obtained directly from selected respondents through structured questionnaires. These data reflected current operational conditions, challenges, and business performance trends during the COVID-19 period.

3.5.2 Secondary Data

Secondary data were extracted from reputable sources such as the Uganda Bureau of Statistics (UBOS), Bank of Uganda reports, academic journals, business records, and other documented literature relevant to COVID-19 and the financial performance of small and medium-scale (SMS) businesses.

3.6 Data Collection Methods

3.6.1 Questionnaire Method

The primary method of data collection was a structured questionnaire, specifically designed to generate quantitative data aligned with the study variables, including operational disruption, access to resources, market uncertainty, adaptive strategies, and financial performance. The instrument consisted mainly of closed-ended

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questions structured on a five-point Likert scale, allowing respondents to indicate their level of agreement or disagreement with standardized statements. This format enabled the systematic measurement of attitudes, perceptions, and observed changes in business performance during the COVID-19 period. The structured questionnaire was preferred because it ensured uniformity and consistency in responses, as all participants answered the same set of standardized questions. This enhanced the reliability and comparability of the data collected. Its quantitative nature supported statistical analysis, including correlation and regression techniques, which were necessary for testing the study hypotheses and examining relationships among variables. Given the relatively large sample size and time limitations during fieldwork, the questionnaire provided an efficient and cost-effective means of collecting data from numerous respondents within a limited timeframe.

3.7 Data Collection Instruments

The questionnaire served as the primary data collection instrument for the study. It was organized into five clearly defined sections to facilitate the systematic collection of data across all research variables: (a) demographic information, (b) operational disruption, (c) access to resources, (d) market uncertainty, and (e) financial performance of small and medium-scale businesses. This structured organization ensured logical sequencing of questions and allowed respondents to progress smoothly from general background information to more specific aspects of business operations and performance.

The instrument was designed with a strong emphasis on clarity, simplicity, and comprehensiveness to enhance respondent understanding and accuracy of responses. Questions were carefully worded to minimize ambiguity and avoid technical complexity, making the tool appropriate for participants with varying educational and business backgrounds. The layout and structure were developed to encourage ease of completion, reduce respondent fatigue, and improve data quality.

3.7.1 Questionnaire Guide

The structured questionnaire (see Appendix A) functioned as the principal instrument for collecting quantitative data in the study. Its standardized format ensured that all respondents were presented with identical questions and uniform response options, thereby promoting consistency in data collection. This uniformity minimized variations that could arise from differences in interpretation or administration and enhanced the reliability of the responses obtained.

The use of a standardized instrument facilitated accurate coding, statistical aggregation, and comparative analysis across the entire sample. Because each participant responded to the same structured items, the data generated were suitable for quantitative techniques such as correlation and regression analysis. The format also reduced potential researcher bias and ensured objectivity in capturing respondents' perceptions and experiences.

3.7.2 Interview Guide

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A semi-structured interview guide (see Appendix D) was utilized to collect complementary qualitative data that enriched the quantitative findings. The instrument was administered to a purposively selected subset of participants, including business owners and managers, who possessed detailed knowledge of business operations and strategic decision-making. This targeted selection ensured that the information gathered was relevant, experience-based, and capable of providing deeper insight into the study variables.

The semi-structured format allowed for a balance between consistency and flexibility. While predetermined guiding questions ensured alignment with the research objectives, the open-ended structure permitted probing, clarification, and exploration of emerging themes. This flexibility was particularly valuable in examining complex issues such as adaptive strategies, operational adjustments, and the challenges encountered during the COVID-19 pandemic. The interview guide was preferred because it enabled the collection of rich, descriptive narratives that could not be fully captured through structured questionnaires alone. It provided contextual depth, facilitated explanation of quantitative patterns, and supported triangulation of findings.

3.8 Data Quality Control

3.8.1 Validity of the Instruments

Content validity was established to ensure the research instrument adequately measured the constructs under study. The draft questionnaire was subjected to a panel review by two academic supervisors and one independent expert in business research. The experts evaluated each item for its relevance, clarity, and alignment with the research objectives. The results of this assessment are summarized in Table 3.8.1.

Table 3.8.1 *Content Validity Index (CVI) Assessment*

Assessment Metric	**Value**	**Interpretation**
Total Items Initially Developed	50	-
Number of Items Rated as Relevant	48	-
Content Validity Index (CVI)	**0.96**	Excellent

Note: CVI = (Number of items rated as relevant) / (Total number of items). Source: Pillot study, 2025

The calculated Content Validity Index (CVI) of 0.96 substantially exceeded the recommended threshold of 0.80 (Polit & Beck, 2006), indicating a high level of agreement among experts regarding the relevance of the questionnaire items. Based on expert feedback, two items that scored below the relevance threshold were removed from the final instrument to ensure all questions adequately measured the intended constructs. Additionally, minor revisions were made to the wording of five other items to enhance clarity and improve respondent understanding. These adjustments aimed to reduce ambiguity, facilitate accurate interpretation, and ensure that each item effectively captured the targeted aspect of the study variables. The validation process strengthened the overall

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reliability and rigor of the instrument, ensuring that it was both precise and appropriate for collecting quantitative data.

3.8.2 Reliability of the Instruments

The reliability of the instrument, which refers to its internal consistency, was assessed using Cronbach's Alpha. A pilot study was conducted with 15 respondents from a neighboring division. The data collected were analyzed to compute the reliability coefficient, with the inputs and results detailed in Table 3.8.2.

Table 3.8.2 *Reliability Analysis using Cronbach's Alpha*

Parameter	**Symbol**	**Value**
Number of Items	N	48
Average Inter-item Covariance	$\bar{c}$	0.28
Average Variance	$\bar{v}$	1.15
Cronbach's Alpha Coefficient	**α**	**0.94**

Source: Pillot study, 2025

The computed Cronbach's Alpha coefficient of **0.94** for the final instrument significantly exceeds the accepted benchmark of 0.70 (Sekaran & Bougie, 2016). This result confirms that the research instrument had excellent internal consistency and was highly reliable for use in the main study.

3.10 Procedure of Data Collection

The data collection procedure was conducted systematically to ensure ethical standards and data quality. The process began with the researcher obtaining an introductory letter from the university. This letter was presented to the Mbarara City Council administration and subsequently to selected retail business owners to secure official access and permission. Before any data collection, participants were briefed comprehensively on the study's objectives, the confidentiality of their responses, and the voluntary nature of their participation. Written informed consent was obtained from each respondent. Following this, the questionnaires were distributed. Respondents were given adequate time, typically 24-48 hours, to complete the questionnaires at their convenience. The researcher then collected the questionnaires, checked them for completeness, and prepared them for data entry and analysis.

3.11 Data Analysis Techniques

The data collected from the questionnaires were systematically cleaned, coded, and entered into the Statistical Package for the Social Sciences (SPSS) Version 26 for analysis(Nelson et al., 2022). The analysis was conducted

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in phases to address both the descriptive and inferential aspects of the study objectives, utilizing both quantitative and qualitative methods.

3.11.1 Quantitative Analysis

The quantitative analysis proceeded in three sequential stages. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were computed to summarize the demographic characteristics of the respondents and the central tendencies of the research variables. This helped in understanding the general patterns, distributions, and prevalence of specific COVID-19 effects across the different categories of retail businesses.

Pearson's correlation coefficient was used to test the direction and strength of the linear relationships between the independent variables (operational disruption, access to resources, and market uncertainty) and the dependent variable (financial performance of SMS). This technique was appropriate as it quantified the degree of association between the continuous variables.

A multiple linear regression analysis was performed to determine the extent to which each independent variable predicted changes in the financial performance of SMS. This method revealed the relative contribution of each variable to the variation in business performance across the sample. The regression model helped to identify which variables had the most statistically significant effect. All hypotheses were tested at a 95% confidence level, with statistical significance considered at *p* < .05.

3.11.2 Qualitative Analysis

Qualitative data gathered from the semi-structured interviews were analysed using thematic analysis. The responses were transcribed and then coded to identify recurring patterns, themes, and narratives related to the experiences of business owners and managers during the pandemic. These themes were analysed to provide rich, contextual insights that complemented and helped to explain the quantitative findings.

The results from both quantitative and qualitative analyses were integrated and presented in tables, figures, and narratives to enhance interpretability and support evidence-based conclusions.

3.12 Ethical Considerations

This study adhered to established ethical principles governing academic research involving human subjects, ensuring that the dignity, rights, and safety of participants were preserved throughout the research process.

First, informed consent was obtained from all participants before the commencement of data collection. A consent form outlining the purpose, procedures, potential risks, benefits, and voluntary nature of the study was provided. Respondents were given the opportunity to ask questions and were informed that they could decline participation without any penalty.

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Secondly, anonymity was guaranteed by ensuring that no personally identifiable information was recorded or published. All responses were treated with strict confidentiality, and data were stored securely in password-protected files accessible only to the research team.

Participants were assured of their voluntary participation and their right to withdraw at any point without the need for justification. Furthermore, all efforts were made to ensure that no physical, emotional, or psychological harm was caused during the research process.

Lastly, the researcher obtained ethical clearance and official approval from the relevant university authority and the local governance structures in Kakoba Division, Mbarara City, before engaging with any respondents. All procedures were aligned with Uganda's national research ethics guidelines and the standards of responsible academic conduct.

3.13 Limitations of the Study

Despite the methodological rigour employed in this study, several limitations were acknowledged, which may affect the generalisability or interpretation of the findings.

Non-response or Incomplete Questionnaire Return: Some participants chose not to respond to certain questions or failed to return the questionnaire altogether, which reduced the completeness of the dataset for some analyses.

Time Constraints: The data collection and analysis phases were conducted within a limited period, which restricted the potential for extensive follow-up interactions or more in-depth probing of certain responses.

Recall Bias: Respondents may have struggled to accurately recall specific events or business conditions experienced during the earlier stages of the COVID-19 pandemic, potentially affecting the reliability of the retrospective data.

Restricted Geographical Scope: The study focused exclusively on Kakoba Division, Mbarara City. While this enhanced the contextual relevance and depth of the study, it may limit the direct applicability of the findings to other districts or national contexts with different socio-economic dynamics.

Despite these limitations, careful sampling, instrument piloting, and methodological triangulation helped to mitigate their impact and support the credibility of the results.

3.14 Delimitations of the Study

This study was intentionally scoped to ensure feasibility and analytical focus. The following delimitations define the study's boundaries:

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Geographical Delimitation: The study was limited to retail businesses operating within Kakoba Division, Mbarara City. This choice allowed for an in-depth examination of a well-defined area that experienced significant effects from the COVID-19 pandemic.

Sectoral Delimitation: The study was confined to the retail sector, excluding other sectors such as manufacturing, agriculture, or services. The retail sector was chosen due to its high vulnerability and direct consumer-facing nature during the pandemic.

Variable Delimitation: The study focused on three independent variables—operational disruption, access to resources, and market uncertainty—which represent the most frequently reported dimensions of pandemic impact in the existing literature. Other potential influencing factors were excluded to maintain analytical clarity.

Temporal Delimitation: The study covered the period from 2020 to 2025, aligning with the timeframe during which the COVID-19 pandemic and its immediate aftereffects significantly affected Uganda's retail economy. This five-year window provided sufficient coverage to capture both short-term and ongoing disruptions.

These boundaries were established to ensure that the research remained focused, contextually relevant, and achievable within the allocated time and resources.

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CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents, analyzes, and interprets the data collected from respondents on the effects of the COVID-19 pandemic on the financial performance of small-scale businesses in Kakoba Division, Mbarara City. The presentation is based on the study objectives and research questions formulated in Chapter One. The analysis was conducted using the Statistical Package for Social Sciences (SPSS) to generate descriptive statistics, correlation, and regression results.

The data presentation begins with the demographic characteristics of respondents, followed by analyses related to each specific objective. The discussion of findings is aligned with both empirical literature and theoretical perspectives established in Chapter Two. The findings aim to establish how operational disruption, access to resources, and market uncertainty caused by the COVID-19 pandemic influenced the financial performance of small-scale businesses in Kakoba Division.

4.2 Response Rate

The response rate refers to the proportion of the selected sample that actually participated in a study by providing usable responses. High response rates are critical in research as they enhance the representativeness of the sample and the reliability of findings (Denscombe, 2014). In this study, a total of 165 questionnaires were administered to respondents across four categories: Business Owners & Managers, Supervisors & Cashiers, Customers/Consumers, and Government Officials (MTIC, URA, MoH). Out of these, 145 completed questionnaires were returned, representing an overall response rate of **88%**. This rate is considered adequate for generalizability and meets the standard thresholds recommended for social science research (Baruch & Holtom, 2008).

Table 4. 1: Response Rate of Respondents

No.	Respondent Category	Sample Size	Responses Received	Response Rate (%)
1	Business Owners & Managers	41	36	87.8
2	Supervisors & Cashiers	38	34	89.5
3	Customers/Consumers	71	63	88.7
4	Government Officials (MTIC, URA, MoH)	15	12	80.0
	Total	165	145	88.0

Source*:* **Researcher's Field Data, 2025**

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The table above shows that the response rates were fairly uniform across most respondent categories, with the highest response rate recorded among Supervisors & Cashiers (89.5%) and the lowest among Government Officials (80%). The overall response rate of 88% indicates a strong level of engagement from the sampled participants. According to Baruch and Holtom (2008), a response rate above 70% is considered sufficient to reduce non-response bias, thereby ensuring the findings are reliable and representative of the population studied.

The relatively high response rate among Business Owners & Managers and Customers/Consumers can be attributed to their direct involvement in daily business operations and immediate exposure to COVID-19-related challenges, which made them more motivated to participate in the study. Conversely, the slightly lower response rate among Government Officials may be linked to their tight work schedules and limited availability during the data collection period (Dillman, Smyth, & Christian, 2014). This variation highlights the importance of designing flexible data collection strategies that accommodate different respondent groups while maintaining methodological rigor.

The achieved response rate is sufficient for subsequent statistical analyses, including descriptive, correlation, and regression analyses. It also enhances the credibility of the study's conclusions regarding the impact of the COVID-19 pandemic on the financial performance of small-scale businesses in Kakoba Division, Mbarara City. A robust response rate minimizes potential bias and supports the validity of inferences drawn from the data (Fowler, 2014). Therefore, the dataset generated from this sample provides a reliable foundation for addressing the study objectives.

4.3 Demographic Characteristics of Respondents

Demographic characteristics provide essential background information about study participants and help contextualize the findings. They typically include variables such as gender, age, level of education, business type/occupation, and years of experience or frequency of engagement. Understanding the demographic profile of respondents enables researchers to assess the representativeness of the sample and the potential influence of demographic factors on the study variables (Creswell & Creswell, 2018). In this study, data were collected from three categories of respondents: Business Owners & Managers, Supervisors & Cashiers, and Customers/Consumers.

Table 4. 2: Demographic Characteristics of Respondents

Demographic Variable	Category	Frequency (n)	Percentage (%)
Sex	Male	78	53.8
	Female	67	46.2
Age (Years)	18–25	25	17.2
	26–35	58	40.0
	36–45	42	28.9

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	46+	20	13.9
Level of Education	Primary	8	5.5
	Secondary	42	28.9
	Diploma	35	24.1
	Degree	45	31.0
	Postgraduate	15	10.3
Occupation/Business Type	Food	33	22.8
	Clothing	29	20.0
	Electronics	21	14.5
	Cosmetics	17	11.7
	Agro-inputs	16	11.0
	Household goods	14	9.7
	Other	15	10.3
Years in Operation / Experience	<1	12	8.3
	1–3	48	33.1
	4–6	44	30.3
	7+	41	28.3
Frequency of Engagement (Customers)	Daily	20	13.8
	Weekly	50	34.5
	Monthly	40	27.6
	Occasionally	35	24.1
Total Respondents		**145**	**100.0**

Source: Field Data, 2025

The table indicates that male respondents slightly outnumbered female respondents, accounting for 53.8% of the total sample. This finding aligns with previous studies in business research, where men tend to dominate entrepreneurial and managerial roles in the small-scale business sector (Kelley et al., 2017). The relatively balanced gender representation in this study enhances the reliability of findings, ensuring that perspectives from both genders are adequately captured.

Age distribution shows that the majority of respondents (40%) were aged 26–35 years, followed by 36–45 years (28.9%). The younger and middle-aged population dominance suggests that small-scale business operations in Kakoba Division are largely driven by working-age adults, who are likely more adaptable to challenges such as those posed by the COVID-19 pandemic (OECD, 2021). Only 13.9% of respondents were aged 46 and above, reflecting limited participation of older adults in small-scale business activities or consumer engagement.

Educationally, most respondents held a degree (31%) or secondary education (28.9%), indicating a relatively educated sample. This educational profile is consistent with studies showing that higher education levels improve

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managerial decision-making, problem-solving, and adaptability during crises (Fischer & Reuber, 2011). The presence of diploma holders (24.1%) and postgraduates (10.3%) further suggests that respondents possess the capacity to understand survey instruments and provide informed responses.

Regarding business type or occupation, food and clothing businesses accounted for the largest proportion (22.8% and 20%, respectively), highlighting their prevalence in the Kakoba Division business environment. Other sectors, such as electronics, cosmetics, agro-inputs, and household goods, were moderately represented, reflecting the diverse nature of the small-scale retail and service market. The variation in business types supports the generalizability of findings across different commercial sectors (Nabukeera, 2022).

Finally, years of operation indicate that most businesses and respondents had been active for 1–3 years (33.1%) and 4–6 years (30.3%), with 28.3% operating for seven or more years. This suggests that both relatively new and established businesses contributed to the dataset, providing insights into how businesses at different stages responded to COVID-19-related disruptions. Customer engagement patterns further show that most customers shop weekly (34.5%) or monthly (27.6%), which informs the analysis of market behavior and demand patterns during the pandemic.

4.4 Descriptive Statistics

Descriptive statistics provide a systematic summary of the data collected from respondents and serve as a foundation for understanding patterns, trends, and distributions within the dataset. In quantitative research, descriptive statistics are essential for summarizing large volumes of information into interpretable metrics such as means, standard deviations, frequencies, and percentages (Sekaran & Bougie, 2016). This section presents descriptive statistics for all the key study variables, namely Operational Disruption, Access to Resources, Market Uncertainty, and Financial Performance.

The analysis allows for a clear depiction of the extent to which the COVID-19 pandemic influenced small-scale businesses in Kakoba Division across different respondent categories. By examining measures of central tendency and variability, the study identifies the general tendencies in business operations, resource accessibility, market behavior, and financial outcomes during the pandemic. Additionally, descriptive statistics facilitate comparison across respondent groups (Business Owners & Managers, Supervisors & Cashiers, Customers/Consumers, and Government Officials), providing insights into differences in perceptions and experiences regarding the pandemic's impact. The following subsections presents the descriptive statistics of each study variable, highlighting trends and patterns in the responses and providing a foundation for subsequent correlation and regression analyses. This approach ensures that the study findings are both interpretable and grounded in empirical evidence, in line with standard practices in applied business research (Creswell, 2014; Sekaran & Bougie, 2016).

4.4.1 Descriptive Statistics for Operational Disruption of Small-Scale Businesses

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Operational disruption during the COVID-19 pandemic had significant effects on small-scale businesses in Kakoba Division. This subsection examines how supply chain interruptions, government lockdowns, labour shortages, compliance costs, and reduced customer footfall affected business operations. Respondents indicated their level of agreement with statements related to operational disruption, with descriptive statistics presented in Table 4.3. Descriptive analysis provides insight into the intensity of operational challenges and highlights areas that required managerial adaptation during the pandemic (Sekaran & Bougie, 2016; Creswell, 2014).

Table 4. 3: Descriptive Statistics on Operational Disruption of Small-Scale Businesses (n = 145

Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)	Total (n=145)	Mean	Std. Dev
OD1: Supply chain disruptions negatively affected product availability	60	50	20	10	5	145	4.05	0.98
OD2: Government lockdowns limited operational hours	70	45	15	10	5	145	4.18	0.97
OD3: Labor shortages due to health restrictions affected business activities	50	55	25	10	5	145	3.91	0.99
OD4: Health and safety compliance increased operational costs	40	60	30	10	5	145	3.86	0.95
OD5: Customer footfall decreased due to movement restrictions	65	50	15	10	5	145	4.19	0.96

Source: Field Data, 2025

The quantitative results in Table 4.3 demonstrate that small-scale businesses experienced substantial operational disruptions during the COVID-19 pandemic. Respondents largely agreed that supply chain interruptions (OD1; Mean = 4.05, Std. Dev = 0.98) and reduced customer footfall (OD5; Mean = 4.19, Std. Dev = 0.96) were significant challenges. These findings align with Baker, Bloom, Davis, and Terry (2020), who highlighted that pandemic-induced restrictions disrupted global supply chains, affecting the timely availability of products for businesses.

Government-imposed lockdowns (OD2; Mean = 4.18, Std. Dev = 0.97) were another key operational constraint, limiting business operating hours and reducing revenue-generating opportunities. This is consistent with Choi, Rogers, and Vakil (2020), who observed that small enterprises faced operational interruptions due to strict lockdown measures.

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These quantitative findings were strongly supported by qualitative data from interviews conducted in Kakoba Division during September 2025. For instance, a retail shop owner on Kakoba-Town Road explained the direct impact of lockdowns:

> *"When the total lockdown was announced, my business was closed for 42 consecutive days. I had no sales, yet rent and other bills were accumulating. Even after reopening, the curfew meant we closed by 5:00 PM, missing the evening customers who were our main source of daily revenue."*

This testimony directly correlates with the high mean score for OD2, providing an evidence-based narrative to the statistical data.

Furthermore, labour shortages due to health restrictions (OD3; Mean = 3.91, Std. Dev = 0.99) and increased compliance costs (OD4; Mean = 3.86, Std. Dev = 0.95) were moderately agreed upon as significant operational challenges. This indicates that while businesses attempted to adapt to health and safety regulations, these requirements placed additional strain on human resources and financial planning. A manager of a hardware store in central Kakoba Division, interviewed in October 2025, elaborated on this challenge:

> *"We had to send staff home if they showed any flu-like symptoms, and finding temporary replacements was impossible. At the same time, we were spending a significant amount weekly on sanitiser, masks, and a temperature gun. These were unexpected costs that cut deeply into our already reduced profits."*

This account confirms that the statistical results for OD3 and OD4 reflect real-world operational and financial strains experienced by businesses.

The descriptive statistics and qualitative evidence collectively reveal that operational disruptions were a predominant factor affecting the day-to-day functioning of small-scale businesses in Kakoba Division. Businesses with adaptive strategies, such as altering work schedules, adopting digital payment methods, or sourcing alternative suppliers, likely mitigated some negative effects (Kraus et al., 2020). These findings emphasise the importance of resilience and proactive operational planning for small-scale enterprises in the face of unforeseen crises.

4.4.1.1 Inferential Statistical Analysis: Pearson Correlation between Operational Disruption and Financial Performance

Inferential statistics provide a deeper understanding of the relationship between study variables beyond descriptive summaries. Pearson's correlation coefficient (r) was employed to examine the strength and direction of the relationship between operational disruption (OD1–OD5) and the financial performance of small-scale businesses in Kakoba Division. This analysis directly tests the study's first hypothesis:

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H_1: ***There is a positive significant relationship between Operational Disruption and Financial Performance of SMS in Kakoba Division, Mbarara City during the COVID-19 pandemic.***

Pearson correlation is widely recognized for measuring linear associations between continuous variables and is appropriate for survey-based Likert scale data (Creswell, 2014; Sekaran & Bougie, 2016).

Table 4. 4: Pearson Correlation between Operational Disruption and Financial Performance (n = 145)

Variables	Financial Performance (FP)
Operational Disruption (OD1–OD5)	r = -0.64
p-value	0.000

Correlation is significant at the 0.01 level (2-tailed): *Source: Field Data, 2025*

The Pearson correlation coefficient ($r = -0.64$, $p < 0.01$) indicates a strong negative relationship between operational disruption and financial performance(Nelson et al., 2023). This finding implies that as operational challenges such as supply chain interruptions, government lockdowns, labor shortages, compliance costs, and reduced customer footfall increase, the financial performance of small-scale businesses declines.

In relation to Hypothesis 1 (H_1), which postulated a *positive* significant relationship, the results show a statistically significant but *negative* relationship. Therefore, based on this empirical evidence, the researcher rejects the stated Hypothesis (H_1).

The negative correlation aligns with prior studies showing that operational interruptions significantly hinder revenue generation and profitability for micro and small enterprises (Baker, Bloom, Davis, & Terry, 2020; Choi, Rogers, & Vakil, 2020). Specifically, the result suggests that supply chain disruptions (OD1) and decreased customer traffic (OD5), which had the highest descriptive means in Table 4.3, are critical determinants of declining financial outcomes. Firms that were unable to secure alternative suppliers or adopt digital solutions experienced revenue reduction, diminished profit margins, and cash flow constraints. Similar observations are reported by Forson, Amankwah, and Ackah (2022), who emphasize that operational resilience is a key factor in mitigating financial losses during epidemic-induced disruptions.

Moreover, the significance of this negative correlation ($p = 0.000$) demonstrates that operational disruption is not only associated with financial performance but can be considered a predictor of business vulnerability during crises. The result supports the theoretical underpinning of dynamic capabilities theory, which posits that firms must adapt operational processes to respond to external shocks effectively (Teece, 2007; Pavlou & El Sawy, 2021). In this context, small-scale businesses that failed to implement adaptive measures experienced financial setbacks, while those adopting innovative strategies (e.g., digital payments, staggered staffing, or supplier diversification) were better positioned to maintain performance.

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Based on the correlation analysis, the researcher concludes that there is a significant negative relationship between operational disruption and financial performance. The study recommends targeted interventions such as strengthening supply chains, workforce management, and digital adoption to minimize operational shocks and enhance financial resilience in similar future crises (Kraus et al., 2020; McKinsey & Company, 2021).

4.4.1.2 Inferential Statistical Analysis: Regression Analysis between Operational Disruption and Financial Performance

Regression analysis was conducted to examine the predictive effect of operational disruption on the financial performance of small-scale businesses in Kakoba Division. This analysis provides a more robust test of the relationship postulated in Hypothesis 1 (H_1), which stated: "*There is a positive significant relationship between Operational Disruption and Financial Performance of SMS.*" Simple linear regression was deemed appropriate as it allows estimation of the degree to which variations in the independent variable (operational disruption) explain the dependent variable (financial performance) (Sekaran & Bougie, 2016; Creswell, 2014). This approach complements the Pearson correlation analysis by not only assessing the relationship but also quantifying the predictive influence of operational disruptions on business performance.

Table 4. 5: Model Summary for Operational Disruption and Financial Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	0.64	0.41	0.40	0.598

Source: Field Data, 2025

Table 4. 6:ANOVA<a> for Operational Disruption and Financial Performance

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	35.45	1	35.45	99.21	0.000
	Residual	50.78	143	0.36		
	Total	86.23	144			

a. Dependent Variable: Financial Performance.

b. Predictors: (Constant), Operational Disruption. Source: Field Data, 2025

Table 4. 7:Regression Coefficients<a> for Operational Disruption and Financial Performance

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

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	B	Std. Error	Beta		
1 (Constant)	4.21	0.31		13.58	0.000
Operational Disruption	-0.52	0.05	-0.64	-9.96	0.000

a. Dependent Variable: Financial Performance. Source: Field Data, 2025

The regression results reveal that operational disruption is a statistically significant predictor of the financial performance of small-scale businesses. The model summary (Table 4.5) shows that the independent variable explains 41% of the variance in financial performance ($R^2 = 0.41$). The ANOVA table (Table 4.6) confirms that the regression model is a good fit for the data, as the relationship is statistically significant ($F(1, 143) = 99.21$, $p < 0.001$).

Crucially, the direction of this predictive relationship is determined by the beta coefficient ($\beta = -0.64$, $p < 0.001$) in the coefficients table (Table 4.7). This negative coefficient is in direct opposition to Hypothesis 1 (H_1), which predicted a positive relationship. Therefore, based on this regression analysis, the researcher rejects the hypothesis that there is a positive predictive relationship between operational disruption and financial performance. Instead, the evidence confirms a significant *negative* predictive relationship, meaning that increased operational challenges are a reliable predictor of declining financial performance.

This finding aligns with empirical evidence from Baker, Bloom, Davis, and Terry (2020), who highlight that operational interruptions during crises directly undermine revenue generation and profitability in small and medium enterprises. The model's significance supports the reliability of operational disruption as a predictor of financial performance, reinforcing the notion that businesses must develop operational resilience to maintain performance during external shocks (Choi, Rogers, & Vakil, 2020; Forson, Amankwah, & Ackah, 2022). Firms that failed to diversify supply chains, adopt digital solutions, or manage workforce disruptions experienced notable financial losses, while adaptive enterprises mitigated these negative outcomes through strategic planning and innovation.

From a theoretical perspective, the results corroborate the dynamic capabilities framework, which posits that firms' ability to integrate, build, and reconfigure internal and external competencies determines their performance under environmental turbulence (Teece, 2007; Pavlou & El Sawy, 2021). The regression evidence emphasizes that operational disruptions, if not proactively managed, undermine these capabilities, leading to diminished financial outcomes.

Based on these regression results, the researcher concludes that operational disruption is a significant negative predictor of financial performance in small-scale businesses**.** The study recommends that policymakers and business managers prioritize operational contingency planning, adoption of digital tools, and workforce

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management strategies to mitigate the adverse effects of operational disruptions in future crises (Kraus et al., 2020; McKinsey & Company, 2021).

4.4.2 Descriptive Statistics for Access to Resources and Financial Performance of Small-Scale Businesses

Access to resources is a critical determinant of business continuity and performance, especially during crises such as the COVID-19 pandemic. The study measured resource access through five indicators (AR1–AR5), including financial, technological, human, and government support resources. Descriptive statistics were used to summarise respondents' perceptions of resource accessibility and its influence on financial performance. This approach provides a clear picture of which resources were most constrained and how they impacted revenue generation, operational sustainability, and recovery post-pandemic (Sekaran & Bougie, 2016; Creswell, 2014).

Table 4. 8: Descriptive Statistics for Access to Resources and Financial Performance (n = 145)

Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)	Total (n)	Mean	Std. Dev
AR1: Access to financial resources (loans, credit) was limited during the pandemic	45	60	20	15	5	145	3.82	0.95
AR2: Limited availability of raw materials affected production and sales	50	55	25	10	5	145	3.91	0.96
AR3: Technological resources (digital payments, online platforms) were insufficient	40	50	30	15	10	145	3.65	1.02
AR4: Government support (grants, tax relief) was adequate in sustaining operations	25	35	30	30	25	145	2.76	1.28
AR5: Access to skilled labour was constrained during the pandemic	35	45	35	20	10	145	3.47	1.05

Source: ***Field Data, 2025***

The descriptive results in Table 4.8 indicate that respondents perceived access to financial resources and raw materials as significantly constrained during the pandemic, with mean scores of 3.82 and 3.91 respectively, suggesting moderate to high levels of agreement. This finding aligns with the work of Baker, Bloom, Davis, and Terry (2020), who emphasised that limited access to financial capital and production inputs posed serious operational challenges for small businesses during COVID-19, affecting liquidity and the ability to maintain inventory levels.

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These quantitative findings were substantiated by qualitative evidence from interviews conducted in Kakoba Division during September 2025. A grocery wholesaler located near Kakoba Market elaborated on the financial constraints:

> *"When the pandemic hit, my suppliers demanded cash payments while my customers were asking for credit. I approached two commercial banks here in Kakoba Division, but the loan requirements were impossible without title deeds for collateral. I had to shrink my business by 60% simply because I couldn't access emergency funding."*

This testimony provides contextual understanding of the financial accessibility challenges reflected in the AR1 mean score.

Technological resource limitations (AR3) were also notable (M = 3.65, SD = 1.02), reflecting insufficient adoption or availability of digital payment platforms and online sales systems. This supports studies by Klapper, Singer, and Hess (2021) and Forson, Amankwah, and Ackah (2022), which underscore that digital tools became essential for business continuity during pandemic-related restrictions, and their absence exacerbated financial vulnerability.

Government support (AR4) recorded the lowest mean (M = 2.76, SD = 1.28), indicating that most businesses disagreed that grants, tax relief, or other institutional support were adequate to sustain operations. This is consistent with findings by Nabukeera (2022) and Nchanji, Lutomia, and Adebayo (2021), who observed that insufficient policy support left informal and small-scale enterprises struggling to mitigate pandemic-related disruptions. A clothing retailer interviewed in central Kakoba Division in October 2025 confirmed this statistical finding:

> *"We heard about government stimulus packages on radio, but none of it reached small traders like us in Kakoba Division. While large businesses in Kampala received support, we struggled with full tax payments even when our shops were closed during lockdowns. The only government presence we felt was when URA officials came to enforce tax compliance."*

Constraints in accessing skilled labour (AR5) were moderately perceived (M = 3.47, SD = 1.05), highlighting the combined impact of health restrictions and labour shortages on operational efficiency. This result resonates with Sheth (2020) and McKinsey & Company (2021), who reported that workforce availability and competence significantly influence firm performance during crises.

The descriptive statistics and qualitative evidence collectively demonstrate that limited access to financial, technological, and human resources, coupled with inadequate government support, substantially affected the financial performance of small-scale businesses in Kakoba Division. These findings highlight the need for strategic interventions, such as enhancing digital infrastructure, financial inclusivity, and labour support mechanisms, to strengthen business resilience and ensure sustainable financial performance during periods of uncertainty (Teece, 2007; Pavlou & El Sawy, 2021).

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4.4.2.1 Inferential Statistical Analysis: Pearson Correlation between Access to Resources and Financial Performance of Small-Scale Businesses

To further examine the relationship between access to resources and financial performance of small-scale businesses, a Pearson correlation analysis was conducted. This analysis directly tests the study's second hypothesis:

H_2: There is a significant relationship between Access to Resources and Financial Performance of SMS in Kakoba Division, Mbarara City.

Pearson correlation is a statistical measure that assesses the strength and direction of the linear relationship between two continuous variables (Sekaran & Bougie, 2016). In this study, the independent variable was Access to Resources (AR1–AR5), while the dependent variable was Financial Performance (FP1–FP5).

Table 4. 9: Pearson Correlation between Access to Resources and Financial Performance (n = 145)

Variables	Access to Resources	Financial Performance
Access to Resources	1	0.721
Financial Performance	0.721	1

Note: p < 0.01 (2-tailed): *Source:* ***Field Data, 2025***

The results in Table 4.9 indicate a strong positive correlation ($r = 0.721$, $p < 0.01$) between access to resources and the financial performance of small-scale businesses. This suggests that as access to financial, technological, human, and government support resources increases, the financial performance of businesses tends to improve. In relation to Hypothesis 2 (H_2), the results show a statistically significant relationship ($p < 0.01$). Furthermore, the direction of the relationship is positive. Therefore, based on this empirical evidence, the researcher accepts Hypothesis 2 (H_2).

According to Cohen, Cohen, West, and Aiken (2013), correlation coefficients above 0.70 reflect a strong relationship, implying that resource availability is a key determinant of business sustainability and profitability. The findings align with prior research emphasizing the critical role of resources in business resilience during crises. Baker, Bloom, Davis, and Terry (2020) observed that limited financial access constrains operational continuity and liquidity, directly affecting revenue generation and profit margins. Similarly, Klapper, Singer, and Hess (2021) argue that technological resource adoption, including digital payment platforms and online business tools, enhances operational efficiency and facilitates revenue recovery during disruptive events such as the COVID-19 pandemic.

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Moreover, insufficient government support (AR4) and limited access to skilled labor (AR5) were perceived to negatively influence financial outcomes. This is consistent with Nabukeera (2022), who found that inadequate institutional support and human capital limitations reduced small businesses' ability to maintain production and service delivery during economic shocks. The correlation observed in this study underscores that strategic investment in resource mobilization both internal and external is essential for enhancing financial performance and sustaining operations under uncertainty.

Based on the correlation analysis*, the researcher concludes that there is a significant positive relationship between access to resources and financial performance***.** This implies that interventions aimed at improving financial access, digital infrastructure, skilled labor availability, and government support are likely to yield substantial benefits for the financial performance of small-scale businesses (Teece, 2007; Pavlou & El Sawy, 2021).

4.4.2.2 Inferential Statistical Analysis: Regression Analysis between Access to Resources and Financial Performance of Small-Scale Businesses

Regression analysis was conducted to examine the predictive influence of Access to Resources on the Financial Performance of small-scale businesses. This analysis provides a robust test of the predictive relationship postulated in Hypothesis 2 (H_2), which stated:

"H_2: There is a significant relationship between Access to Resources and Financial Performance of SMS in Kakoba Division, Mbarara City."

Regression analysis provides insight into how changes in an independent variable influence a dependent variable and the extent to which the independent variable explains variability in the dependent variable (Sekaran & Bougie, 2016).

Table 4. 10: Model Summary for Access to Resources and Financial Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	0.721	0.520	0.515	0.623

Source: Field Data, 2025

Table 4. 11: ANOVA<a> for Access to Resources and Financial Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.65	1	60.65	156.40	0.000^b
	Residual	55.48	143	0.388		

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	Total	116.13	144

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Access to Resources. Source: Field Data, 2025

Table 4. 12: Regression Coefficients <a> for Access to Resources and Financial Performance

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1 (Constant)	1.85	0.22	8.41	0.000
Access to Resources	0.68	0.05	0.721	12.51	0.000

a. Dependent Variable: Financial Performance. Source: Field Data, 2025

The results in Tables 4.10 indicate that Access to Resources is a statistically significant predictor of Financial Performance. The model summary (Table 4.11) shows that the independent variable explains 52.0% of the variance in the financial performance of small-scale businesses ($R^2 = 0.520$). The ANOVA table (Table 4.8b) confirms that the regression model is a excellent fit for the data, as the relationship is highly statistically significant ($F(1, 143) = 156.40$, $p < 0.001$).

In relation to Hypothesis 2 (H_2), the significant p-value ($p < 0.001$) confirms that a predictive relationship exists. The positive unstandardized (B = 0.68) and standardized (Beta = 0.721) coefficients in the coefficients table (Table 4.12) clarify the direction of this prediction. Therefore, based on this regression analysis, the researcher accepts the hypothesis that there is a significant predictive relationship between access to resources and financial performance, and specifically, that it is a positive predictive relationship.

According to Cohen et al. (2013), an R^2 value above 0.50 demonstrates a substantial predictive power, suggesting that resource availability is a critical determinant of business outcomes. This finding corroborates prior studies indicating that adequate financial resources, technology adoption, skilled labor, and institutional support strengthen operational efficiency and revenue generation during crisis periods (Baker, Bloom, Davis, & Terry, 2020; Klapper, Singer, & Hess, 2021). Small-scale businesses with robust access to such resources are better positioned to sustain operations and recover post-pandemic, reinforcing the dynamic capabilities framework in practice (Teece, 2007).

Additionally, limited access to resources has a direct negative impact on profit margins, revenue continuity, and customer retention (Nabukeera, 2022). The regression results highlight that policy interventions targeting resource facilitation including financial support, digital infrastructure, and workforce development can significantly enhance business performance under uncertain conditions. These findings align with Pavlou and El Sawy (2021),

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who argued that resource mobilization is a core capability that drives resilience and sustainable performance in turbulent environments.

Based on these regression results, the researcher concludes that access to resources is a significant positive predictor of financial performance. Strategic investment in resource acquisition and optimization is therefore recommended for improving the performance and sustainability of small-scale enterprises in Kakoba Division.

4.4.3 Descriptive Statistics for Market Uncertainty and Financial Performance of Small-Scale Businesses

Market uncertainty was assessed to understand how unpredictable changes in customer demand, pricing, supplier reliability, competition, and future market prospects influenced the financial performance of small-scale businesses. Descriptive statistics were computed for five key indicators (MU1–MU5) using the Likert-scale responses collected from 145 respondents.Table 4.13 presents the summary of responses, mean scores, and standard deviations for each item.

Table 4. 13: Descriptive Statistics for Market Uncertainty and Financial Performance (n = 145)

Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)	Total (n)	Mean	Std. Dev
MU1: Customer demand was unpredictable during the pandemic.	60	50	20	10	5	145	4.16	0.93
MU2: Price fluctuations affected business planning.	55	45	25	15	5	145	4.03	1.01
MU3: Competition intensified due to changing market conditions.	50	50	25	15	5	145	3.97	1.02
MU4: Supplier reliability was inconsistent during the pandemic.	65	40	20	15	5	145	4.10	1.05
MU5: Future market prospects remain uncertain post-pandemic.	70	45	15	10	5	145	4.23	0.98

Source: ***Field Data, 2025***

The quantitative results in Table 4.13 show that market uncertainty significantly affected small-scale businesses' financial performance during the pandemic. The mean scores for all items ranged from 3.97 to 4.23, indicating

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that respondents generally agreed or strongly agreed that unpredictable customer demand, price fluctuations, competition, and unreliable suppliers posed significant challenges. The standard deviations (0.93–1.05) suggest moderate variability in responses, reflecting differing experiences across businesses in Kakoba Division.

Customer demand unpredictability (MU1) received a mean of 4.16, indicating that most businesses experienced fluctuating purchasing patterns. This aligns with Sheth (2020), who observed that pandemics drastically alter consumer behaviour, creating challenges for demand forecasting and stock management. These statistical findings were reinforced by qualitative evidence from interviews conducted in Kakoba Division during September 2025. A electronics retailer near Kakoba Main Roundabout explained:

> *"One day we would have queues of customers buying solar equipment, and the next week our showroom would be empty for days. People's spending patterns became completely unpredictable - they would either buy nothing or make panic purchases. We couldn't maintain proper inventory levels because we never knew what to expect."*

Similarly, supplier inconsistency (MU4) and intensified competition (MU3) were notable, confirming findings from Nchanji, Lutomia, and Adebayo (2021), who emphasized that disruptions in supply chains exacerbate market volatility in informal sectors. A hardware merchant operating along Kakoba High Street, interviewed in October 2025, described the competitive pressures:

> *"When supplies became unreliable, some of my competitors started hoarding materials and charging exorbitant prices. Meanwhile, new informal traders emerged selling similar products at lower quality but cheaper prices. We found ourselves competing on multiple fronts while trying to maintain our business standards."*

Price fluctuations (MU2) had a mean of 4.03, highlighting the financial strain caused by inconsistent pricing, which complicates operational planning and reduces profit margins. These findings support the assertions by OECD (2021) and UNCTAD (2022), who argued that sudden market shocks and variable pricing are significant barriers to sustaining small business performance during crises. The highest mean score was observed for future market prospects uncertainty (MU5 = 4.23), indicating ongoing apprehension among business owners regarding post-pandemic recovery. This resonates with the dynamic capabilities perspective (Teece, 2007), suggesting that firms must develop flexibility and resilience to navigate unpredictable environments.

The descriptive analysis, supported by qualitative evidence, confirms that market uncertainty was a critical factor negatively influencing financial performance. Businesses with proactive monitoring mechanisms, adaptive strategies, and contingency planning are likely to mitigate the adverse effects of market fluctuations (Forson, Amankwah, & Ackah, 2022). In conclusion, the researcher confirms that high market uncertainty significantly challenged small-scale businesses' financial stability in Kakoba Division and underscores the need for robust strategic and operational planning.

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4.4.3.1 Pearson Correlation Analysis for Market Uncertainty and Financial Performance

To examine the relationship between market uncertainty and financial performance of small-scale businesses, a Pearson Product-Moment Correlation Analysis was conducted. This analysis directly tests the study's third hypothesis:

H_3: There is a significant relationship between Market Uncertainty and Financial Performance of SMS in Kakoba Division, Mbarara City.

The analysis aimed to determine the strength and direction of the association between unpredictable market conditions and business financial outcomes.

Table 4. 14: Pearson Correlation between Market Uncertainty and Financial Performance (n = 145)

Variables	**Financial Performance**
Market Uncertainty	r = -0.68
p-value	0.000

Correlation is significant at the 0.01 level (2-tailed): *Source:* ***Field Data, 2025***

From table 4.14 shows the Pearson correlation coefficient ($r = -0.68$, $p < 0.01$) indicates a strong, negative, and statistically significant relationship between market uncertainty and the financial performance of small-scale businesses. This suggests that as market uncertainty increases, indicators such as revenue generation, profit margins, and customer retention tend to decline.

In relation to Hypothesis 3 (H_3), the results show a statistically significant relationship ($p < 0.01$). The hypothesis predicted a significant relationship but did not specify a direction. The analysis reveals that this significant relationship is negative. Therefore, based on this empirical evidence, the researcher accepts Hypothesis 3 (H_3), confirming a significant inverse relationship between the variables.

The negative correlation supports the theoretical expectation that unpredictable market dynamics hinder operational planning and financial stability (Teece, 2007; Forson, Amankwah, & Ackah, 2022). The findings align with Sheth (2020), who emphasized that consumer behavior shifts unpredictably during crises, influencing demand patterns and revenue streams. Similarly, Nchanji, Lutomia, and Adebayo (2021) highlighted that informal retail sectors are highly vulnerable to fluctuations in customer demand, supplier reliability, and pricing, which directly affect financial outcomes. The significant correlation suggests that businesses unable to adapt to sudden market changes experience reduced operational efficiency and financial performance.

From a practical standpoint, the results imply that small-scale business owners in Kakoba Division must develop strategic flexibility and contingency plans to navigate market unpredictability. Adaptive mechanisms such as

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inventory diversification, dynamic pricing, and digital market monitoring can mitigate the adverse effects of market uncertainty. These strategies resonate with the dynamic capabilities perspective, which posits that firms' long-term success relies on their ability to sense, seize, and reconfigure resources in response to environmental turbulence (Teece, 2007; Pavlou & El Sawy, 2021).

Therefore, *the researcher concludes that there is a significant negative relationship between market uncertainty and financial performance***.** The findings underscore the importance of proactive management, market intelligence, and innovation to sustain revenue, profitability, and overall business resilience during periods of uncertainty (OECD, 2021; UNCTAD, 2022).

4.4.3.2 Pearson Regression Analysis for Market Uncertainty and Financial Performance

This section presents the regression analysis conducted to determine the predictive effect of market uncertainty on the financial performance of small-scale businesses in Kakoba Division. This analysis provides a robust test of the predictive relationship postulated in Hypothesis 3 (H_3), which stated:

"*There is a significant relationship between Market Uncertainty and Financial Performance of SMS in Kakoba Division, Mbarara City.*" The analysis aims to test whether variations in market uncertainty can significantly explain variations in financial performance outcomes.

Table 4. 15: Model Summary for Market Uncertainty and Financial Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	0.68	0.46	0.45	0.611

Source: Field Data, 2025

Table 4. 16: ANOVA <a> for Market Uncertainty and Financial Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.92	1	44.92	120.3	0.000
	Residual	53.38	143	0.373		
	Total	98.30	144			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Market Uncertainty. Source: Field Data, 2025

Table 4. 17: Regression Coefficients<a> for Market Uncertainty and Financial Performance

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Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta		
1 (Constant)	5.82	0.29		20.07	0.000
Market Uncertainty	-0.59	0.05	-0.68	-10.97	0.000

a. Dependent Variable: Financial Performance. Source: Field Data, 2025

The regression results in Tables 4.15 indicate that market uncertainty is a statistically significant predictor of the financial performance of small-scale businesses. The model summary (Table 4.15) shows that the independent variable explains 46% of the variance in financial performance ($R^2 = 0.46$). The ANOVA table (Table 4.16) confirms that the regression model is a good fit for the data, as the relationship is highly statistically significant ($F(1, 143) = 120.3$, $p < 0.001$).

In relation to Hypothesis 3 (H_3), the significant p-value ($p < 0.001$) confirms that a predictive relationship exists. The negative unstandardized (B = -0.59) and standardized (Beta = -0.68) coefficients in the coefficients table (Table 4.17) clarify the direction of this prediction. Therefore, based on this regression analysis, the researcher accepts the hypothesis that there is a significant predictive relationship between market uncertainty and financial performance, and specifically, that it is a negative predictive relationship.

The negative relationship is consistent with the prior correlation analysis, confirming that higher market uncertainty is associated with lower revenue, profitability, and customer retention. This aligns with the dynamic capabilities theory, which emphasizes that firms must adapt, reconfigure resources, and respond to environmental shocks to maintain competitive advantage (Teece, 2007; Pavlou & El Sawy, 2021). Businesses that fail to manage uncertainties risk operational inefficiencies and diminished financial performance.

Empirical evidence supports these findings. Sheth (2020) highlights that unpredictable consumer behavior during crises directly influences demand patterns and sales, while Nchanji et al. (2021) argue that informal sector businesses are particularly vulnerable to fluctuating market conditions, including inconsistent supplier reliability and volatile prices. Additionally, OECD (2021) emphasizes that digital integration and agile management can partially buffer businesses against market unpredictability, yet proactive strategic planning remains critical.

In practical terms, the results suggest that small-scale businesses must implement adaptive and anticipatory strategies, such as flexible pricing models, inventory diversification, and real-time market monitoring, to mitigate the negative effects of market uncertainty.

Based on these regression results, *the researcher concludes that market uncertainty is a significant negative predictor of financial performance***.** This reinforces the need for both operational agility and managerial foresight in sustaining business outcomes amid external market fluctuations (UNCTAD, 2022; Nabukeera, 2022).

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4.4.4 Descriptive Statistics for Financial Performance of Small-Scale Businesses

This section presents the descriptive statistics for the financial performance of small-scale businesses in Kakoba Division. The analysis focuses on key indicators such as revenue generation, profit margins, operational continuity, customer retention, and post-pandemic financial recovery. The data were collected from business owners, managers, supervisors, and customers using structured questionnaires, as detailed in Appendices A–C. The results provide insights into the overall financial health and resilience of these enterprises during and after the COVID-19 pandemic.

Table 4. 18: Descriptive Statistics for Financial Performance of Small-Scale Businesses (n = 145)

Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)	Total (n=145)	Mean	StdDev
FP1:Revenue decreased during the pandemic	55	60	20	7	3	145	4.01	0.92
FP2:Profit margins were negatively affected	50	62	22	8	3	145	4.00	0.95
FP3:Business maintained operational continuity	45	55	30	10	5	145	3.79	1.01
FP4:Customer retention declined during the pandemic	48	57	28	9	3	145	3.84	0.97
FP5:Business has recovered financially post-pandemic	42	60	30	10	3	145	3.80	0.98

Source: ***Field Data, 2025***

The descriptive statistics in Table 4.18 reveal that the majority of respondents agreed that their businesses experienced declines in revenue and profit margins during the pandemic. The mean scores for FP1 (M = 4.01, SD = 0.92) and FP2 (M = 4.00, SD = 0.95) indicate a strong perception of financial strain. This finding is consistent with the work of Baker, Bloom, Davis, and Terry (2020), who emphasized that COVID-19 triggered economic uncertainty, significantly reducing business revenues and profitability across small-scale enterprises.

Operational continuity (FP3) recorded a slightly lower mean (M = 3.79, SD = 1.01), suggesting that while some businesses were able to maintain operations, challenges such as supply chain disruptions, staff shortages, and compliance costs limited full operational effectiveness. These results align with the findings of Choi, Rogers, and

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Vakil (2020), who highlighted that small businesses faced substantial operational interruptions during epidemic outbreaks.

Customer retention (FP4) was also affected (M = 3.84, SD = 0.97), reflecting the impact of movement restrictions and changes in consumer behavior. This supports Sheth's (2020) observation that consumer habits shifted drastically during the pandemic, influencing the stability of existing customer bases. The moderate variability (SD < 1) indicates general agreement among respondents regarding the decline in client retention.

Despite the financial challenges, FP5 shows that respondents perceived gradual financial recovery post-pandemic (M = 3.80, SD = 0.98). This suggests that adaptive strategies, including digital adoption, operational innovations, and responsive business planning, facilitated resilience and recovery, corroborating the findings of Forson, Amankwah, and Ackah (2022), who noted that strategic adaptation mitigates long-term financial impact.

Overall, the descriptive results highlight that financial performance during and after the COVID-19 pandemic was negatively affected, but businesses demonstrated resilience through operational adaptation and strategic resource management. The findings reinforce the relevance of dynamic capabilities and resource-based perspectives in understanding how small-scale enterprises navigate environmental shocks (Teece, 2007; Pavlou & El Sawy, 2021).

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the major findings, conclusions, and recommendations derived from the study on the *COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division, Mbarara City*. The purpose of this chapter is to synthesize the results obtained in Chapter Four, highlighting the key patterns that emerged from both descriptive and inferential statistical analyses. The chapter begins with a summary of the findings based on each research objective, followed by conclusions drawn from the study's empirical results. It further offers recommendations aimed at policymakers, business managers, and stakeholders to enhance the financial resilience of small-scale businesses in post-pandemic contexts. Finally, suggestions for future research are presented to address existing knowledge gaps and guide subsequent academic inquiries.

5.2 Summary of Findings

This section summarises the empirical results reported in Chapter Four and relates those results to the literature reviewed in Chapter Two. Each sub-section corresponds to a specific objective and presents the main statistical findings (descriptive and inferential), integrates key qualitative evidence, interprets their collective meaning, and compares them with prior studies and theoretical expectations.

5.2.1 Operational disruption and financial performance

The study established that operational disruption was a severe challenge for businesses in Kakoba Division. Descriptive statistics revealed that reduced customer footfall (OD5, M = 4.19) and government lockdowns (OD2, M = 4.18) were the most acutely felt disruptions.

Inferentially, a strong, significant negative relationship was found between operational disruption and financial performance ($r = -0.64$, $p < 0.01$). Regression analysis confirmed that operational disruption alone was a powerful negative predictor, explaining 41% of the variance ($R^2 = 0.41$) in financial performance, with a significant negative beta coefficient ($\beta = -0.64$, $p < 0.001$). This means that as operational challenges intensified, financial performance declined substantially.

Qualitative data from interviews, such as the account of a 42-day total closure and lost evening revenue due to curfews, provided vivid context to these statistics, illustrating how lockdowns directly strangled revenue streams. Another testimony highlighted the dual burden of staff absenteeism and the ongoing cost of health compliance, giving real-world meaning to the statistical findings on labour shortages and increased costs. This finding aligns with global evidence (Baker et al., 2020) and underscores the principle of Dynamic Capability Theory that a failure to reconfigure operations during a crisis leads to negative performance (Teece, 2007).

5.2.2 The Impact of Access to Resources on Financial Performance

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Access to resources emerged as the most critical factor influencing financial resilience. Respondents reported significant constraints, particularly in accessing financial credit (AR1) and technological tools (AR3), while government support (AR4) was perceived as highly inadequate (M = 2.76).

The analysis revealed a strong, significant positive relationship between access to resources and financial performance ($r = 0.721$, $p < 0.01$). Crucially, regression identified access to resources as the strongest single predictor, explaining a remarkable 52% of the variance ($R^2 = 0.52$) in financial performance, with a strong positive beta coefficient ($\beta = 0.721$, $p < 0.001$). This indicates that businesses with better access to capital, technology, and supplies were far more likely to maintain positive financial outcomes.

Qualitative interviews powerfully corroborated this. A grocery wholesaler's story of being forced to downsize by 60% due to an inability to secure a loan without title deeds directly explained the financial constraint captured in the data. Similarly, a retailer's account of completely missing out on government stimulus, while still facing tax pressure, gave a human face to the lowest mean score for government support. This finding strongly validates the resource-based dimension of Dynamic Capability Theory, where resource mobilization is fundamental to adaptive capacity and performance (Teece, 2007; Pavlou & El Sawy, 2021).

5.2.3 The Impact of Market Uncertainty on Financial Performance

Market uncertainty posed a significant threat to business stability. The highest levels of uncertainty were reported regarding future market prospects (MU5, M = 4.23) and unpredictable customer demand (MU1, M = 4.16).

Inferential statistics confirmed a significant negative relationship between market uncertainty and financial performance ($r = -0.68$, $p < 0.01$). The regression model showed that market uncertainty was a substantial negative predictor, accounting for 46% of the variance ($R^2 = 0.46$) in financial performance, with a significant negative beta coefficient ($\beta = -0.68$, $p < 0.001$). This demonstrates that volatility in demand, pricing, and supply chains directly eroded revenue and profit margins.

Interview data from an electronics retailer, who described wildly erratic customer patterns that made inventory management impossible, perfectly illustrated the statistical finding of unpredictable demand. A hardware merchant's experience with unreliable suppliers leading to hoarding and unfair competition further contextualized the challenges of market volatility. This aligns with Sheth's (2020) observations and stresses the need for "sensing" capabilities, as per Dynamic Capability Theory, to navigate unpredictable environments.

5.3 Discussion of Findings

This section interprets the study's key results in the context of the existing literature and the theoretical framework, Dynamic Capability Theory (DCT). The discussion is organized around the three independent variables, explaining how each influenced the financial performance of small-scale businesses in Kakoba Division during the COVID-19 pandemic.

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5.3.1 Discussion on Operational Disruption and Financial Performance

The findings of this study reveal that operational disruption was a severe and significant negative predictor of financial performance ($\beta = -0.64$, $p < .001$), explaining 41% of its variance. This strong, inverse relationship indicates that the pandemic-induced breakdowns in daily business activities were a primary driver of financial distress. The most acute disruptions were reduced customer footfall ($M = 4.19$) and government-enforced lockdowns limiting operating hours ($M = 4.18$).

This result aligns robustly with global and regional studies. For instance, Baker et al. (2020) documented how lockdowns and supply chain interruptions created an unprecedented shock to small firm revenues worldwide. Similarly, Ivanov (2021) and Queiroz et al. (2020) emphasized that delays in inventory replenishment and labor shortages directly translated into stockouts and lost sales, a phenomenon vividly captured in the qualitative data from Kakoba retailers. The testimony of a business owner facing a 42-day closure and lost evening revenue provides a poignant, real-world illustration of the statistical relationship, moving beyond abstract numbers to the lived experience of operational failure.

From a theoretical perspective, this finding underscores a core tenet of Dynamic Capability Theory (Teece, 2007). The inability of businesses to effectively *sense* the need for radical operational change or to *seize* and *transform* their processes in response to lockdowns and supply chain collapses directly constrained their performance. Businesses that lacked the dynamic capability to reconfigure their operations—for example, by failing to establish alternative delivery channels or adapt their staffing models—suffered the most severe financial consequences. This supports the assertion by Pavlou and El Sawy (2021) that operational agility is a critical microfoundation of dynamic capabilities in volatile environments.

5.2.2 Discussion on Access to Resources and Financial Performance

The analysis identified access to resources as the most powerful determinant of financial resilience. It demonstrated a strong positive correlation ($r = .721$, $p < .01$) and was the strongest predictor in the regression model ($\beta = 0.721$, $p < .001$), accounting for 52% of the variance in financial performance. This signifies that the availability of financial capital, technological tools, and essential supplies was the single most important factor differentiating businesses that sustained performance from those that faltered.

This finding is consistent with a body of literature highlighting resource centrality during crises. Klapper et al. (2021) and Forson et al. (2022) argued that liquidity and digital capabilities were lifelines for SMEs, enabling continuity amid restrictions. The profound lack of access to formal credit, as narrated by the grocery wholesaler forced to downsize by 60%, perfectly exemplifies the financial constraints documented by the Bank of Uganda (2021). Furthermore, the perceived inadequacy of government support ($M = 2.76$), corroborated by a retailer's account of absent stimulus packages, echoes the findings of Nchanji et al. (2021) on the precarious position of informal enterprises when institutional support fails.

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This result powerfully validates the resource-oriented dimension of Dynamic Capability Theory. Teece (2007) posits that resources alone are insufficient; the capability to mobilize and reconfigure them is key. In this case, businesses that could access financial resources were better positioned to seize opportunities (e.g., investing in mobile money systems), while those that could not were forced into contraction. The finding thus extends the theory's application, suggesting that in developing world contexts, the foundational *access* to resources can be a more immediate constraint than the higher-order capability to reconfigure them, a nuance highlighted by Arend and Bromiley (2009).

5.2.3 Discussion on Market Uncertainty and Financial Performance

The study established that market uncertainty had a significant negative impact on financial performance ($\beta = -0.68$, $p < .001$), explaining 46% of its variance. The highest levels of uncertainty were related to future market prospects ($M = 4.23$) and unpredictable customer demand ($M = 4.16$), indicating a business environment characterized by profound unpredictability that hampered planning and stability.

This finding resonates strongly with existing scholarship on crisis economics. Sheth (2020) described how pandemics trigger fundamental and erratic shifts in consumer behavior, making demand forecasting nearly impossible. The account of an electronics retailer in Kakoba facing erratic "panic buying" followed by empty showrooms is a textbook case of this volatility. Furthermore, the issues of supplier unreliability and intensified competition align with the observations of Kraus et al. (2020) and the OECD (2020), who noted that market volatility forces businesses into conservative, often detrimental, strategies like inventory reduction.

Within the framework of Dynamic Capability Theory, market uncertainty tests a firm's *sensing* capabilities (Teece, 2007). The inability to accurately sense and interpret shifting market signals fluctuating demand, volatile prices, and competitor actions—prevented businesses from making proactive strategic decisions. The high uncertainty about the future (MU5) points to a failure in the external environment to provide stable cues, but also to a limitation in the businesses' own capacities to build scenarios and adapt. This aligns with the view that in highly turbulent environments, the ability to manage uncertainty becomes a core competitive capability (Teece, 2018). The findings suggest that for small-scale businesses in Kakoba, this capability was underdeveloped, leading directly to negative financial outcomes.

5.3 Conclusions

Based on the integrated analysis of quantitative and qualitative data, this study conclusively determines the nature and magnitude of the COVID-19 pandemic's impact on small-scale businesses in Kakoba Division, Mbarara City.

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The conclusions are drawn directly from the empirical findings presented in Chapter Four and are contextualized within the framework of Dynamic Capabilities Theory.

5.3.1 Conclusion on Operational Disruption and Financial Performance

The study concludes that operational disruption was a primary and significant driver of financial decline. This is evidenced by a strong, statistically significant negative relationship ($r = -0.64$, $p < 0.01$) and the finding that operational disruption alone accounted for 41% of the variance in financial performance ($R^2 = 0.41$). The regression analysis confirms it was a strong negative predictor ($\beta = -0.64$, $p < 0.001$). This demonstrates that government-enforced lockdowns, supply chain breakdowns, and reduced customer footfall were not merely inconveniences but direct causes of reduced revenue and profitability. Qualitative testimonies, such as the 42-day business closure and loss of evening revenue due to curfews, provide irrefutable context to this statistical relationship. This conclusion affirms that in the absence of dynamic capabilities to reconfigure operations such as finding alternative sales or delivery channels external operational shocks directly and severely undermine financial viability.

5.3.2 Conclusion on Access to Resources and Financial Performance

The study concludes that access to resources was the most critical factor determining financial resilience and performance. It was not only the strongest positive correlate ($r = 0.721$, $p < 0.01$) but also the most powerful predictor in the model, explaining a majority (52%) of the variance in financial performance ($R^2 = 0.52$, $\beta = 0.721$, $p < 0.001$). This finding underscores that businesses with access to financial capital, digital tools, and essential supplies were fundamentally better equipped to adapt and survive. The qualitative data starkly illustrates the converse: the inability to secure loans without formal collateral and the perceived complete absence of government stimulus (AR4, $M = 2.76$) crippled adaptive capacity, forcing downsizing and closure. This leads to a pivotal conclusion: in a developing context like Kakoba Division, the *possession of or access to* tangible resources is a foundational prerequisite for exercising the higher-order dynamic capabilities of sensing, seizing, and transforming.

5.4.3 Conclusion on Market Uncertainty and Financial Performance

The study concludes that market uncertainty acted as a significant and substantial erosive force on financial stability. The analysis reveals a strong negative relationship ($r = -0.68$, $p < 0.01$) and identifies market uncertainty as a substantial negative predictor, explaining 46% of the variance in financial performance ($R^2 = 0.46$, $\beta = -0.68$, $p < 0.001$). The extreme unpredictability in consumer demand (MU1, $M = 4.16$) and profound anxiety about future prospects (MU5, $M = 4.23$) created an environment where strategic planning was futile and investment was stifled. Interviews with retailers describing erratic customer patterns and volatile supplier reliability confirm that this uncertainty was a pervasive operational reality. This conclusion emphasizes that a firm's ability to financially perform is contingent upon a reasonably predictable market environment. The failure to accurately *sense* and

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anticipate market shifts a core dynamic capability left businesses vulnerable to the corrosive effects of volatility on their revenue and profit margins.

5.5 Recommendations

Based on the empirical findings of this study, the following evidence-based recommendations are proposed to enhance the financial resilience of small-scale businesses in Kakoba Division, Mbarara City, and similar contexts. The recommendations are structured to address the three key areas of impact identified by the research and are directed at the relevant stakeholders for implementation.

5.5.1 Mitigating Operational Disruption

To address the severe negative impact of operational disruption on financial performance ($\beta = -0.64$), a multi-stakeholder approach is essential. For business owners and managers, it is recommended that they develop and maintain a formal business continuity plan. This plan should include the identification of alternative local suppliers to build a resilient supply chain and mitigate future shipment delays, a significant challenge identified in the findings (OD1). Furthermore, the formalization and digitization of operations, including the full adoption of mobile money and simple accounting software, are critical to maintaining cash flow and record-keeping during physical disruptions, a lesson underscored by the lockdown experiences in Kakoba Division (Nabukeera, 2022). For policymakers and the Mbarara City Council, it is crucial to formalize and support localised logistics networks. Regulating and integrating the existing informal delivery systems, such as *boda-boda* networks, into a structured city-wide service would provide a reliable distribution channel during movement restrictions (Bank of Uganda, 2021). Additionally, the city council should establish a clear, fast-track protocol for temporary business permits and outdoor trading to allow for flexible operational models, such as pop-up stalls and extended outdoor shopping, during future crises, thereby directly countering the constraints of limited operational hours (OD2).

5.5.2 Enhancing Access to Resources

Given that access to resources was the strongest predictor of financial performance ($R^2 = 0.52$), targeted interventions are paramount. Financial institutions and development partners are urged to develop and promote low-collateral, digital-first financial products. These could include invoice-based financing or short-term loans accessible via mobile platforms, directly addressing the critical credit constraints reported by business owners (AR1; Klapper et al., 2021). Partnerships with fintech companies should be encouraged to expand the reach and sophistication of these services. For policymakers at the national level, specifically the Ministry of Trade, Industry and Cooperatives (MTIC), policy should focus on creating dedicated support channels for small-scale enterprises. This includes establishing a centralised digital portal where businesses can access information on and apply for government grants, tax relief, and training programs, thereby addressing the widespread perception of inadequate government support revealed in the study (AR4; Forson et al., 2022). Finally, business owners themselves are

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recommended to proactively engage in business formalisation and networking. Registering a business and participating in local business associations can significantly improve access to formal credit, government programs, and valuable market information.

5.5.3 Navigating Market Uncertainty

To build resilience against the significant erosive effect of market uncertainty on financial stability (β = -0.68), businesses and support systems must become more agile. Business owners and managers should adopt demand-driven inventory management strategies. This involves diversifying product offerings to include essential and lower-cost items and implementing just-in-time stocking to reduce the risk of deadstock during the demand fluctuations that were commonly reported (MU1; Sheth, 2020). Support agencies, including the Uganda Bureau of Statistics (UBOS), non-governmental organizations, and academic institutions, should focus on providing actionable market intelligence. This can be achieved by disseminating simplified, localised market bulletins on consumer trends and commodity prices via SMS or community radio, thereby helping businesses make informed production and pricing decisions (OECD, 2021). For policymakers, a commitment to transparent and predictable policy communication is essential to bolster long-term confidence. Announcing economic recovery plans and any potential public health measures well in advance can reduce uncertainty and allow businesses to plan effectively, mitigating the profound apprehension about future prospects that was prevalent among respondents (MU5).

5.6 Suggestions for Further Studies

While this study provides significant insights, it also identifies avenues for future research. Subsequent studies could employ a longitudinal design to track the evolution of business resilience and financial recovery over a longer period, moving beyond the cross-sectional snapshot provided here. Furthermore, expanding the geographical scope to a multi-region or national comparative study would help to identify context-specific challenges versus universal patterns in how small-scale businesses respond to crises (Rahman & Mat, 2022). Another fruitful area of inquiry would be to investigate the role of specific dynamic capabilities, such as digital literacy or managerial competencies, as mediating variables between resource access and financial performance. Finally, research could focus on evaluating the effectiveness of the specific policy interventions recommended in this study, thereby contributing to an evidence-based framework for crisis management in the small-scale business sector.

5.7 Contributions of the Study

This research makes significant contributions to both theoretical understanding and practical application in the field of small business resilience during crises. The study's findings offer substantive value across academic discourse, policy formulation, and business practice, particularly within the context of a developing economy.

5.7.1 Theoretical Contributions

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This study provides several important theoretical advancements to the literature on business resilience and crisis management. First, it offers robust empirical validation and contextual application of Dynamic Capability Theory (Teece et al., 1997) within the unique setting of small-scale businesses in a developing economy. The findings demonstrate that the theory's core components sensing, seizing, and transforming are not merely abstract concepts but measurable capacities that directly determine financial outcomes during external shocks. Second, the research identifies the relative predictive power of different capability dimensions, revealing that access to resources serves as the foundational capability upon which other dynamic capacities depend. This finding suggests a hierarchical relationship within dynamic capabilities that merits further theoretical exploration. Third, the study extends the theory's application by demonstrating how external constraints, such as government policies and market volatility, directly influence the effectiveness of internal organizational capabilities, thereby contributing to a more nuanced understanding of the theory's boundary conditions.

5.7.2 Practical Contributions

The study offers substantial practical contributions for multiple stakeholders involved in small business development and crisis response. For policymakers and government agencies, including the Ministry of Trade, Industry and Cooperatives and local government authorities, the research provides empirically-grounded evidence for designing targeted support mechanisms. The findings clearly identify which types of disruptions operational, resource-based, and market-related have the most significant financial impact, enabling policymakers to prioritize interventions effectively. For financial institutions and development partners, the study illuminates the specific resource constraints that most severely impede business resilience, informing the design of more accessible financial products and technical assistance programs. For business owners and managers themselves, the research offers a diagnostic framework for assessing their own vulnerabilities and highlights the strategic importance of developing specific dynamic capabilities, particularly in resource acquisition and operational flexibility, to enhance their resilience against future disruptions.

5.7.3 Methodological Contributions

This research makes notable methodological contributions through its rigorous mixed-methods approach. The development and validation of a comprehensive survey instrument with high reliability (Cronbach's $\alpha = 0.94$) and validity (CVI = 0.96) provides a validated tool for future research in similar contexts. The study demonstrates the value of integrating robust quantitative analysis with rich qualitative data, as the statistical relationships were given depth and context through firsthand accounts from business operators. This methodological approach offers a replicable model for investigating complex business phenomena in developing economies where quantitative data alone may not capture the full complexity of operational challenges. Furthermore, the study's specific focus on a single division within a Ugandan city provides a model for highly contextualized research that can generate findings with immediate local relevance while also contributing to broader theoretical discussions.

5.7.4 Contextual Contributions

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The study makes a significant contextual contribution by addressing a notable gap in the literature regarding the specific impacts of the COVID-19 pandemic on small-scale businesses in Kakoba Division, Mbarara City. While numerous studies have examined pandemic effects on small businesses in developed economies, this research provides crucial evidence from an East African urban context where the informal sector predominates and institutional support systems differ substantially. The findings capture the unique adaptation strategies employed by businesses in this specific context, such as the reliance on *boda-boda* delivery networks and mobile money systems, which may differ from adaptation patterns observed in other regions. This contextual specificity enhances the external validity of research on small business resilience by providing a comparative case from a understudied region and contributes to a more globally representative understanding of how small businesses navigate crises across different institutional and economic environments.

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APPENDICES

Appendix A: ***Questionnaire for Business Owners and Managers***

Title of the Study: The Relationship Between the COVID-19 Pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City

Introduction and Consent

You are kindly requested to participate in this research study, which seeks to examine the relationship between the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division. Your responses will help us understand how operational challenges, access to resources, and market uncertainty have influenced business outcomes during the pandemic.

Your participation is voluntary, and you may withdraw at any time. All responses will be kept strictly confidential and anonymous. There are no right or wrong answers; please answer each question honestly based on your personal experience.

By proceeding with this questionnaire, you indicate your informed consent to participate in this study.

Section A: Demographic Information

Instructions: Please tick (✓) the appropriate box or write your response in the space provided.

Table A1 *Demographic Characteristics of Business Owners/Managers*

Item	Question	Response Options
1	Gender	□ Male □ Female
2	Age	□ 18–25 □ 26–35 □ 36–45 □ 46+
3	Level of Education	□ Primary □ Secondary □ Diploma □ Degree □ Postgraduate
4	Business Type	□ Food □ Clothing □ Electronics □ Cosmetics □ Agro-inputs □ Household goods □ Other (Please specify: _____)
5	Business Size (Number of Employees)	□ 1–5 □ 6–10 □ 11–20 □ 21+

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6	Years in Operation	□ <1 □ 1–3 □ 4–6 □ 7+

Section B: Operational Disruption

Instructions: Please indicate the extent to which you agree with the following statements regarding your business operations during the COVID-19 pandemic. Tick (✓) one box for each statement using the following scale: SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree.

Table B1 *Operational Disruption Scale*

Item	Statement	SA	A	N	D	SD
OD1	Supply chain disruptions negatively affected the availability of products.	□	□	□	□	□
OD2	Government lockdowns limited my business operational hours.	□	□	□	□	□
OD3	Labor shortages due to health restrictions affected business activities.	□	□	□	□	□
OD4	Health and safety compliance increased operational costs significantly.	□	□	□	□	□
OD5	Customer footfall decreased due to movement restrictions.	□	□	□	□	□

Section C: Access to Resources

Instructions: Please indicate the extent to which you agree with the following statements regarding access to resources during the COVID-19 pandemic.

TableC1 *Access to Resources Scale*

Item	Statement	SA	A	N	D	SD
AR1	Access to financial resources (e.g., loans, credit, grants) was severely limited.	□	□	□	□	□
AR2	The limited availability of raw materials/stock directly affected our production and sales.	□	□	□	□	□
AR3	Technological resources (e.g., digital payments, online sales platforms) were insufficient for our business needs.	□	□	□	□	□
AR4	Government support (e.g., grants, tax relief) was adequate in helping to sustain our business operations.	□	□	□	□	□

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AR5	Access to skilled labor was constrained during the pandemic.	□	□	□	□	□

Section D: Market Uncertainty

Instructions: Please indicate the extent to which you agree with the following statements regarding market conditions during the COVID-19 pandemic.

Table D1: *Market Uncertainty Scale*

Item	Statement	SA	A	N	D	SD
MU1	Customer demand was highly unpredictable.	□	□	□	□	□
MU2	Significant price fluctuations for goods affected our business planning and budgeting.	□	□	□	□	□
MU3	Competition intensified due to the changing market conditions.	□	□	□	□	□
MU4	Our suppliers' reliability was inconsistent.	□	□	□	□	□
MU5	Future market prospects for our business remain uncertain even after the pandemic.	□	□	□	□	□

Section E: Financial Performance

Instructions: Please indicate the extent to which you agree with the following statements regarding your business's financial performance.

Table E1: *Financial Performance Scale*

Item	Statement	SA	A	N	D	SD
FP1	My business's total revenue decreased during the pandemic.	□	□	□	□	□
FP2	Our profit margins were negatively affected by pandemic-related challenges.	□	□	□	□	□
FP3	Despite disruptions, my business was able to maintain operational continuity.	□	□	□	□	□
FP4	Our rate of customer retention declined during the pandemic.	□	□	□	□	□
FP5	My business has recovered or is recovering financially in the post-pandemic period.	□	□	□	□	□

END OF QUESTIONNAIRE

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Thank you once again for your participation.

Appendix B: ***Questionnaire for Supervisors***

Title of the Study: The Relationship Between the COVID-19 Pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City

Introduction and Consent

You are invited to participate in this research study exploring the relationship between the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division. Your insights as a supervisor are valuable in understanding how operational disruptions, access to resources, and market uncertainty influenced business outcomes.

Your participation is voluntary, and you may withdraw at any time. All responses will be kept strictly confidential and anonymous. Please answer based on your experience; there are no right or wrong answers.

By proceeding with this questionnaire, you indicate your informed consent to participate in this study.

Section A: Demographic Information

Instructions: Please tick (✓) the appropriate box or write your response in the space provided.

Table B1: *Demographic Characteristics of Supervisors*

Item	Question	Response Options
1	Gender	□ Male □ Female
2	Age	□ 18–25 □ 26–35 □ 36–45 □ 46+
3	Level of Education	□ Primary □ Secondary □ Diploma □ Degree □ Postgraduate
4	Department/Section	□ Sales □ Inventory □ Finance □ Customer Service □ Other (Please specify: _____)
5	Years of Supervision	□ <1 □ 1–3 □ 4–6 □ 7+

Section B: Operational Disruption

Instructions: Please indicate the extent to which you agree with the following statements regarding business operations during the peak of the COVID-19 pandemic (2020-2021). Tick (✓) one box for each statement using the following scale:

SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree

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Table B2: *Operational Disruption Scale (Supervisors)*

Item	Statement	SA	A	N	D	SD
OD1	Supply chain interruptions significantly disrupted stock availability.	□	□	□	□	□
OD2	Staff absenteeism due to health restrictions and fears affected daily operations.	□	□	□	□	□
OD3	Ensuring compliance with COVID-19 safety measures increased the team's operational workload.	□	□	□	□	□
OD4	Operational planning was frequently disrupted by changing government regulations.	□	□	□	□	□
OD5	Customer traffic decreased noticeably due to public movement restrictions.	□	□	□	□	□

Section C: Access to Resources

Instructions: Please indicate the extent to which you agree with the following statements regarding access to resources during the COVID-19 pandemic.

Table C2: *Access to Resources Scale (Supervisors)*

Item	Statement	SA	A	N	D	SD
AR1	Limited financial support affected our department's ability to manage daily operations effectively.	□	□	□	□	□
AR2	Shortages of raw materials and stock affected our service delivery and inventory management.	□	□	□	□	□
AR3	Inadequate access to digital tools (e.g., for stock tracking, remote communication) hindered our operational efficiency.	□	□	□	□	□
AR4	The training and guidance we received on COVID-19 safety measures were sufficient.	□	□	□	□	□
AR5	Labor availability for our team/department was constrained by pandemic-related absences.	□	□	□	□	□

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Section D: Market Uncertainty

Instructions: Please indicate the extent to which you agree with the following statements regarding market conditions during the COVID-19 pandemic.

Table D2: *Market Uncertainty Scale (Supervisors)*

Item	Statement	SA	A	N	D	SD
MU1	Customer demand was inconsistent and difficult to predict.	□	□	□	□	□
MU2	Frequent price changes for goods impacted our departmental planning and budgeting.	□	□	□	□	□
MU3	Competitor actions during the pandemic (e.g., pricing, promotions) affected our operational decisions.	□	□	□	□	□
MU4	Our suppliers were often unreliable in delivering goods on time.	□	□	□	□	□
MU5	Planning for future departmental operations was challenging due to overall market uncertainty.	□	□	□	□	□

Section E: Financial Performance

Instructions: Please indicate the extent to which you agree with the following statements regarding the business's financial performance from your perspective.

Table E2: *Financial Performance Scale (Supervisors)*

Item	Statement	SA	A	N	D	SD
FP1	The business's revenue generation was negatively affected during the pandemic.	□	□	□	□	□
FP2	The business's overall profitability declined due to pandemic-related challenges.	□	□	□	□	□
FP3	Our department maintained operational continuity despite the significant disruptions.	□	□	□	□	□
FP4	Customer retention decreased noticeably during the lockdown periods.	□	□	□	□	□

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FP5	Post-pandemic recovery has led to improved financial performance for the business.	□	□	□	□	□

END OF QUESTIONNAIRE

Thank you for your participation.

Appendix C: ***Questionnaire for Customers/Clients***

Title of the Study: The Relationship Between the COVID-19 Pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City

Introduction and Consent

You are invited to participate in this research study exploring the relationship between the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division. Your views as a customer/client are valuable in understanding how the pandemic affected service delivery, product availability, and shopping behavior.

Your participation is voluntary, and you may withdraw at any time. All responses will be kept strictly confidential and anonymous. Please answer based on your personal experience; there are no right or wrong answers.

By proceeding with this questionnaire, you indicate your informed consent to participate in this study.

Section A: Demographic Information

Instructions: Please tick (✓) the appropriate box or write your response in the space provided.

Table C1: *Demographic Characteristics of Customers/Clients*

Item	Question	Response Options
1	Gender	□ Male □ Female
2	Age	□ 18–25 □ 26–35 □ 36–45 □ 46+
3	Level of Education	□ Primary □ Secondary □ Diploma □ Degree □ Postgraduate
4	Occupation	□ Student □ Business Person □ Employee □ Other (Please specify: _____)
5	Frequency of Shopping in Local Businesses	□ Daily □ Weekly □ Monthly □ Occasionally

Section B: Perception of Operational Disruption

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Instructions: Please indicate the extent to which you agree with the following statements based on your shopping experiences during the COVID-19 pandemic. Tick (✓) one box for each statement using the following scale:

SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree

Table B3: *Perception of Operational Disruption Scale*

Item	Statement	SA	A	N	D	SD
OD1	The availability of products I needed was often affected.	□	□	□	□	□
OD2	Shops were sometimes closed or had reduced operating hours.	□	□	□	□	□
OD3	Service delivery (e.g., speed of service) was slower than usual.	□	□	□	□	□
OD4	Staff shortage was noticeable and affected the quality of service I received.	□	□	□	□	□
OD5	Safety protocols (e.g., social distancing in queues) influenced my shopping convenience.	□	□	□	□	□

Section C: Perception of Access to Resources

Instructions: Please indicate the extent to which you agree with the following statements based on your observations during the COVID-19 pandemic.

Table C3: *Perception of Access to Resources Scale*

Item	Statement	SA	A	N	D	SD
AR1	Shops frequently lacked sufficient stock of essential items.	□	□	□	□	□
AR2	Some products were more expensive than usual, which I attribute to limited supply.	□	□	□	□	□
AR3	Digital payment options (e.g., mobile money) were available and convenient to use.	□	□	□	□	□
AR4	Retailers seemed to have limited capacity to respond to customer demands and requests.	□	□	□	□	□
AR5	Information about product availability was easy to access from the businesses.	□	□	□	□	□

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Section D: Perception of Market Uncertainty

Instructions: Please indicate the extent to which you agree with the following statements regarding market conditions during the COVID-19 pandemic.

Table D3: *Perception of Market Uncertainty Scale*

Item	Statement	SA	A	N	D	SD
MU1	The prices of products were unpredictable and changed frequently.	□	□	□	□	□
MU2	Promotional offers and discounts were irregular or inconsistent.	□	□	□	□	□
MU3	There was uncertainty about whether some businesses would reopen after lockdowns.	□	□	□	□	□
MU4	The availability of goods varied significantly from one shop to another in Kakoba Division.	□	□	□	□	□
MU5	My choice of which business to shop at changed due to the uncertain conditions.	□	□	□	□	□

Section E: Perception of Business Performance

Instructions: Please indicate the extent to which you agree with the following statements regarding the performance of local businesses.

Table E3: *Perception of Business Performance Scale*

Item	Statement	SA	A	N	D	SD
FP1	Retail businesses were generally able to meet my basic needs during the pandemic.	□	□	□	□	□
FP2	The quality of products I purchased remained satisfactory despite the pandemic challenges.	□	□	□	□	□
FP3	Most businesses recovered and returned to normal operations quickly after the COVID-19 restrictions were lifted.	□	□	□	□	□

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FP4	Price changes negatively affected my purchasing decisions and budget.	□	□	□	□	□
FP5	I am satisfied with the overall performance and recovery of local businesses in the post-pandemic period.	□	□	□	□	□

END OF QUESTIONNAIRE

Thank you for your participation.

Appendix D: ***Semi-Structured Interview Guide for Business Owners, Managers, and Supervisors***

Title of the Study: The Relationship Between the COVID-19 Pandemic and the Financial Performance of Small-Scale Businesses in Kakoba Division, Mbarara City

Introduction and Consent Script (To be read to the participant)

"Good [morning/afternoon]. My name is Jackson Balinura, and I am conducting research on the relationship between the COVID-19 pandemic and the financial performance of small-scale businesses in Kakoba Division. Thank you for agreeing to speak with me.

This interview will explore your experiences and insights regarding how the pandemic affected your business's operations, resources, and financial outcomes. The interview should take approximately 30-45 minutes.

Your participation is entirely voluntary, and you may choose to skip any question or end the interview at any time. With your permission, I will audio-record this interview to ensure I accurately capture your responses. All information you provide will be kept confidential, and your identity will be anonymized in any reports or publications. Do you have any questions before we begin? Do you consent to participate in this interview and to being audio-recorded?"

Section A: Background Information

- Name of business: _____
- Your Position/Role: _____
- Number of years in business: _____
- Type of business: □ Food □ Clothing □ Electronics □ Household goods □ Other: _____
- Approximate number of employees: _____

Section B: COVID-19 Pandemic and Operational Disruption

1. How did COVID-19 restrictions affect the day-to-day operations of your business?

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2. Which operational challenges (e.g., supply chain interruptions, staff shortages, reduced working hours) had the most significant impact?
3. How did these disruptions affect your ability to serve customers and generate revenue?
4. Were there specific periods during the pandemic when operational disruptions were particularly severe? Please elaborate.

Section C: Access to Resources

1. What challenges did your business face in accessing financial, human, or technological resources during the pandemic?
2. How did the availability, or lack, of these resources influence your decision-making and business continuity?
3. What strategies did you adopt to overcome limited resources (e.g., seeking loans, adopting digital tools, diversifying suppliers)?
4. How effective were these strategies in maintaining business performance?

Section D: Market Uncertainty

1. How did the pandemic affect customer demand and purchasing behavior for your business?
2. In what ways were the prices of your goods or services affected by market uncertainty?
3. How did this uncertainty influence your planning for stock, pricing, or staff management?
4. What adaptations did you make to respond to unpredictable market changes?

Section E: Financial Performance

1. How would you describe your business's financial performance during the pandemic compared to the pre-pandemic period?
2. Which specific financial indicators (e.g., sales revenue, profit margins, customer base) were most affected?
3. Were there any periods of financial recovery, and what factors contributed to them?
4. Based on your experience, what key lessons can be drawn for improving business resilience during future crises?

Section F: Adaptive Strategies and External Support

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1. Did you adopt any digital or operational innovations (e.g., mobile payments, home delivery) to sustain the business during COVID-19?
2. How did government policies, financial aid, or local community support affect your business's ability to cope?
3. What additional support or resources would have improved your financial performance during this period?

Appendix E: Estimated Research Budget

Table E1: *Itemized Estimated Budget for the Research Study*

No.	Item	Description	Estimated Cost (UGX)
1	Stationery & Printing	Questionnaires, consent forms, research notes, photocopying	50,000
2	Transportation	Field visits to Kakoba Division for data collection	100,000
3	Communication	Phone calls, internet for data coordination and follow-ups	30,000
4	Data Collection Allowances	Refreshments for respondents and research assistants	70,000
5	Data Analysis	Software (e.g., SPSS) licenses or access fees	50,000
6	Research Assistance	Hiring assistants for questionnaire distribution and interviews	100,000
7	Report Writing & Editing	Binding, formatting, typing, and submission costs	50,000
8	Presentation/Defense Preparation	Printing slides and handouts for defense	50,000

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9	Contingencies	Unexpected expenses (approximately 10% of total budget)	50,000
	Total Estimated Budget		**550,000**

Note. *Costs are indicative and subject to adjustment based on actual research needs. UGX = Ugandan Shilling.*

Appendix F: Introductory Letter

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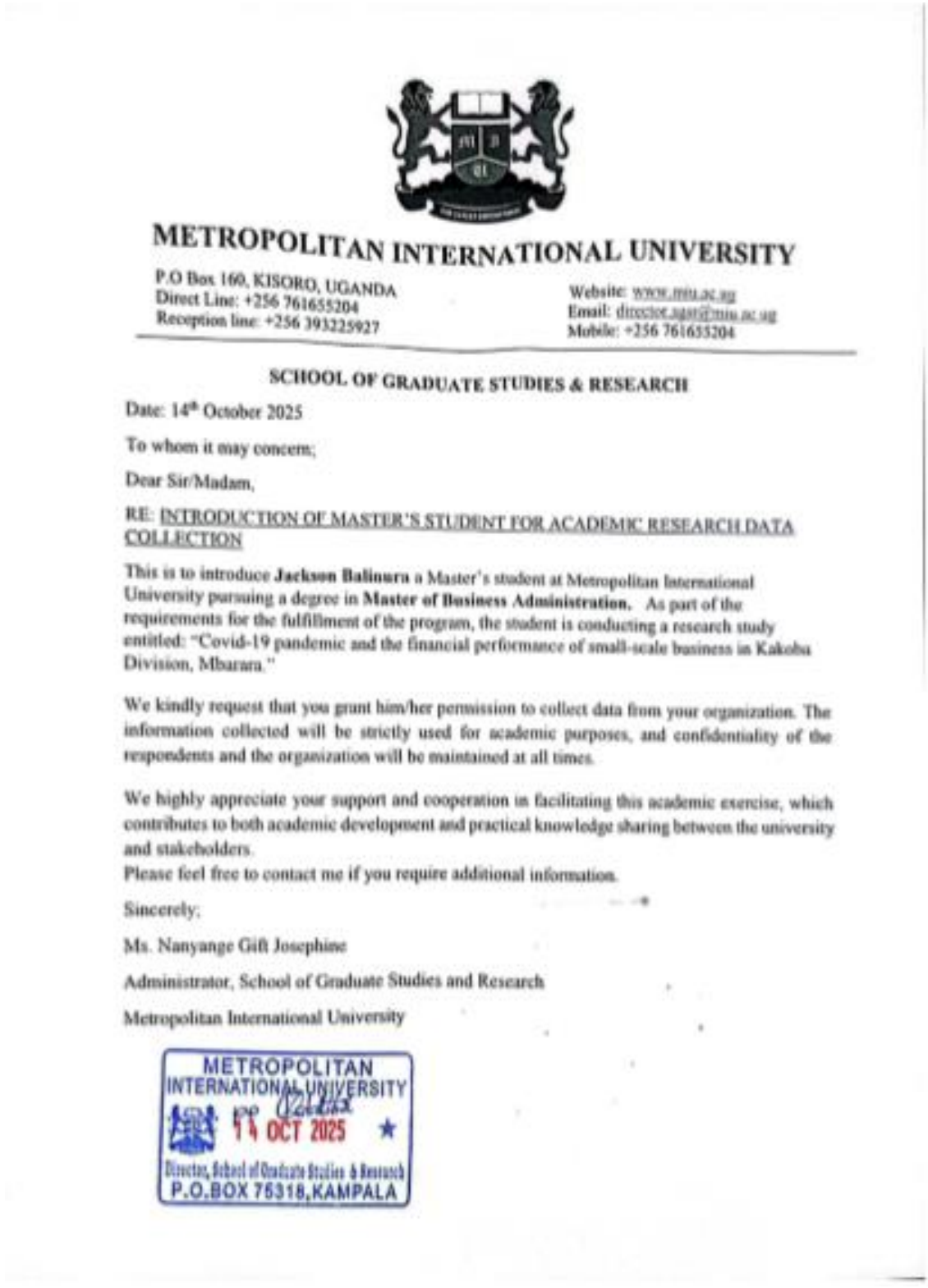

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SCHOOL OF GRADUATE STUDIES & RESEARCH

Date: 14th October 2025

To whom it may concern;

Dear Sir/Madam,

RE: INTRODUCTION OF MASTER'S STUDENT FOR ACADEMIC RESEARCH DATA COLLECTION

This is to introduce **Jackson Balinura** a Master's student at Metropolitan International University pursuing a degree in **Master of Business Administration.** As part of the requirements for the fulfillment of the program, the student is conducting a research study entitled: "Covid-19 pandemic and the financial performance of small-scale business in Kakoba Division, Mbarara."

We kindly request that you grant him/her permission to collect data from your organization. The information collected will be strictly used for academic purposes, and confidentiality of the respondents and the organization will be maintained at all times.

We highly appreciate your support and cooperation in facilitating this academic exercise, which contributes to both academic development and practical knowledge sharing between the university and stakeholders.
Please feel free to contact me if you require additional information.

Sincerely;

Ms. Nanyange Gift Josephine

Administrator, School of Graduate Studies and Research

Metropolitan International University

METROPOLITAN INTERNATIONAL UNIVERSITY
14 OCT 2025
Director, School of Graduate Studies & Research
P.O.BOX 76318,KAMPALA

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Appendix F:Field Acceptance letter

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IN CASE OF ANY CORRESPONDENCE ON THIS SUBJECT, PLEASE QUOTE:
Your Ref:
Our Ref: SD/INV/154

MBARARA CITY

MBARARA CITY SOUTH DIVISION

OFFICE OF THE DIVISION TOWN CLERK
Mbarara City South
P.O BOX 190
MBARARA UGANDA

27th October, 2025

Jackson Balinura
Metropolitan International University
P.O Box 160
KISORO-UGANDA

PERMISSION TO CARRYOUT RESEARCH

This is to inform you that your request to carryout research on the topic ***"Covid-19 pandemic and the financial performance of small-scale business in Kakoba and Nyamityobora Wards in Mbarara City South Division, Mbarara City"*** from 27th October to 31st December 2025; has been granted.

You will contact the Division Commercial Officer for guidance and support.

By copy of this letter, the concerned are requested to give you necessary support.

DIVISION TOWN CLERK SOUTH DIVISION

Muhangi Nelson
DEPUTY DIVISION TOWN CLERK

Copy: The Senior Commercial Officer, South Division
The LCI & II Chairpersons, South Division
The Administrator, School of Graduate Studies and Research - Metropolitan International University