

# The Impact of Coronavirus Lockdown on Small Scale Businesses in Arua Municipality, Uganda

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**Abstract:** *This study focused on the effect of coronavirus lockdown on small scale businesses in Arua Municipality, Uganda. The research design adopted in this study was qualitative interview study and underpinned on the interpretivism philosophy. Data were sourced through 10 to 15 minutes face to face in-depth interviews consisting of 10 SMEs registered with the Uganda Registration Services Bureau (URSB). The Qualitative data was analyzed using thematic analysis. Thematic analysis is an accessible and flexible approach to qualitative data analysis, which is based on coding (Braun & Clarke, 2006). Results have shown that coronavirus lockdown has a mammoth effect on small businesses. Our findings should be interpreted in the context of the potential limitations of our study: We interviewed small business practitioners in Arua Municipality, a single metropolitan area, our interviews did not include small business customers having to reflect on their own experiences, and in all qualitative studies, findings may be influenced by the perspectives of the investigators. The results from this study should be viewed as a contribution to the knowledge the effect of coronavirus lockdown on small business. The government of Uganda can use the finding of this study develop appropriate strategies to support small business in a bid to rescue SMEs, given their significant contribution to the Ugandan economy.*

**Keywords:** Coronavirus, Lockdown, Impact, Small-scale businesses, Uganda

## 1. Introduction

The small-scale business sector in Uganda, like in other parts of the world, plays a central role in the world economy. Small scale businesses irrefutably remain critical to the development of any nation's economy as they are an excellent source of employment generation, help in development of local technology, and develop indigenous entrepreneurs (Erdem and Erdem, 2011; Alaye-Ogan, 2012). With 80% of small-scale businesses located in urban areas such as Arua Municipality (Olutayo, 2015), they contribute approximately 75% of the gross domestic product (GDP) and employ approximately 2.5 million people (Osunsan & Sumil, 2012; Sands, 2012). This signifies their undisputed role in the economic development of Uganda. The importance of small-scale businesses to the citizens' standard of living through income generation and the nation's general growth cannot be overemphasized (Yazdanfar & Öhman, 2015). Small businesses in many countries include service or retail operations such as convenience stores, small grocery stores, bakeries or delicatessens, hairdressers, carpentry, restaurants, guest houses, photographers, very small-scale manufacturing, and Internet-related businesses such as web design and computer programming.

The legal definition of "small business" varies from country to country. In Uganda a Small-scale business is defined as an enterprise employing a minimum of 5 people and a maximum of 50 people, with annual sales turnover of maximum 360 million Uganda shillings and total assets of maximum 360 million Uganda shillings (MOFPED, 2017). According to the Uganda Small Scale Industries Association, Small scale businesses are spread across all sub-sectors of the economy viz-a-viz manufacturing, construction, hotel and hospitality, education, wholesale and retail trade currently ravaged by COVID-19 pandemic. This however raises the question among others, what is the fate of

small-scale businesses in the coronavirus lockdown period, since many small-scale businesses such as bars, restaurants and groceries deal in semi-durable and perishable items. In this study, the words coronavirus and COVID-19 will be used interchangeably.

Given the significant contribution of small-scale businesses in the world economy, research into small scale business existence, survival and performance has been widely sparked off since 1960s (Birch, 1979), and all along, the research interest has been sustained as seen in a multitude of publications on this subject. In responding to the growing research interest in the studying small scale businesses, substantial studies have been concluded by local researchers in Uganda concerning determinants of small-scale business performance. Such studies include: Sebikari (2014) who examined the impact of entrepreneurial performance on small business enterprises in Uganda. Olutayo et al., (2015) explored the influence of age on Small scale business performance. Aketch (2014) studied effect of organizational culture on performance of SMEs, whereas Turyahebwa et al., (2013) investigated the effect of financial management practices on small scale business performance. Olutayo (2015) investigated gender and SME performance. Mutesigensi (2017) carried out a study on cash flow and survival of SMEs. Ntayi et al., (2011) investigated contract enforcement and small and medium enterprises in Uganda. Despite the numerous published works on determinants of small-scale business performance, none of these studies specifically sought to explore the impact of coronavirus lockdown on small scale businesses. Additionally, there are no theories developed so far to explain coronavirus pandemic, except conspiracy theories that are not tested and lack evidence; and a few studies conducted on coronavirus have concentrated in the developed world. The gap this study seeks to address.

### 1.1 Statement of the problem

Following the coronavirus lockdown directive by his excellency Yoweri Kaguta Museveni, the president of the republic of Uganda on March 18, 2020 in state of nation address, small scale businesses have locked down their premises, yet many of these businesses deal in semi-durable and perishable items. There is a growing fear that the semi-durable and perishable items are going to deteriorate and perish. Small scale businesses have lost and continue to lose their customers who could bring them revenue through sales, hence causing big losses to the entrepreneurs. Additionally, some small-scale business owners operate using bank loans, thus have bank loans to service that necessitated continuous operation and better performance. This situation is worrying and could result into close down of many businesses in the municipality, the chairperson Arua Small Scale Business Community Mr. Dada Williams lamented in desperation.

The lockdown in the short run may lead to reduced sales, stock shortages, disrupted domestic supply chains, inability to pay employees and meet other financial obligations, reduction in access to credit, as financial institutions are less sure of the businesses' ability to pay back loans. Staff are staying home due to fear of catching the virus or lack of public transportation and some small-scale businesses are struggling to operate at full capacity due to these staff constraints. In the longer-term, this pandemic may lead to an economic slowdown or recession, the chairperson further laments. This is unacceptable and cannot be tolerated. Thus, the need to fully understand the impact of coronavirus lockdown on the small-scale businesses is necessary and vital. The drive of this study is to understand the impact of coronavirus on small scale businesses in Arua Municipality, in Uganda. This study has both theoretical and practical contributions.

## 2. Literature Review

### 2.1 Theoretical underpinning

This qualitative study is underpinned by the following theories: Systems theory (von Bertalanffy, 1951; Boulding, 1956), that centers on the assumption that 'the whole is more than the sum of its parts'. The social ecological theory (Bookchin, 1960) provides an understanding of behavioral reactions from individual, interpersonal, organizational, community and public policy regarding the formation of behavior within the surrounding social environment.

Systems theory of Bertalanffy of 1951, increasingly elaborates across a continuum that encompasses the person-in-environment (Anderson, 1995). The idea that system theory centers on is the assumption that 'the whole is more than the sum of its parts' (Bertalanffy, 1951) is fundamental to the approaches of biologists Ludwig (1968) and Uri Bronfen Brenner (1979); and sociologists are Emile Durkheim (1858–1917) and Talcott Parsons (1902–1979). These 'parts', in Durkheim's view function to integrate the society and to maintain social solidarity (Otite, 1994). Durkheim further explained that individuals perform different types of roles that lead to specialization and segmentation, which ultimately lead to mutual

interdependence between units. No unit can exist in isolation of others (Durkheim, 1984). Generally, there are three familiar demarcations of social systems; Micro System – small size, social system such as individuals and couples; Mezzo System – intermediate size system such as groups, extended families; and Macro System – large systems such as communities and organizations.

However, each level is a unit of wholeness with a distinct property or structural limitation that delineates from other systems (Friedman et al., 2011). This is termed system's boundary by Bertalanffy. Herein, COVID - 19 is interpreted as an element that breaks the boundaries of well-being, and social systems, which are normatively defined. In addition, many societies to date value communal culture and interaction within families, groups, organizations, and communities, these societies also experience significantly weak health structures and low health outcomes. Thus, the spread of a deadly virus such as corona is positively inclined. The relevance of systems theory in this study is that organisations can adopt a number of strategies (i.e. loosen or tighten) conditions in either responding to or challenging the environment. Therefore, small scale businesses need to adopt and provide adequate buffering on monumental shocks that may rock the society in event of disasters such as the COVID-19. However, systems theory Views businesses and environment as concrete items which is not the case, and has failed to explicitly define the shocks and buffering mechanisms of societal pandemics.

Another important theory is the social ecological theory of Murray Bookchin 1960. The theory focuses on the understanding of behavioral reactions from individual, interpersonal, organizational, community and public policy regarding the formation of behavior within the surrounding social environment. The social ecological theory helps to understand factors affecting behavior and also provides guidance for developing successful programs through social environments. Social ecological models emphasize multiple levels of influence (such as individual, interpersonal, organizational, community and public policy) and the idea that behaviors both shape and are shaped by the social environment. The principles of social ecological models are consistent with social cognitive theory concepts which suggest that creating an environment conducive to change is important to making it easier to adopt healthy behaviors.

Given the emergence of coronavirus pandemic that is desolating Uganda and other countries, more attention should be geared towards shaping and adopting healthy behaviors such as sanitization, social distancing, restricted movement, ban on congressional prayers, testing suspects, isolation, quarantining and business closures. The relevance of social ecological theory in this study is the insight in understanding the reasons as to why we behave the way we do. Therefore, small scale businesses that are able to change their ways of doing things during and after the COVID -19 will survive and thrive. However, critics of the theory contend that social ecological theory does not give insight into the magnitude of effect of change in behavior on other aspects of life. Additionally, changing lifestyles can be extremely difficult.

**Table 1:** Summary of Theories on which the study is anchored

Theory	Author	Year	Gist of the theory	Relevancy	Limitation
SST	Bertalanffy	1951	'the whole is more than the sum of its parts'	Adoption of strategies to manage challenging conditions	Neglected differential organizational capabilities
SET	Bookchin	1960	Behavioral reactions/change	Understanding the reasons as to why we behave the way we do.	Neglecting the effect of change in behavior and difficulty in changing lifestyles.

## 2.2 Conceptual Review

Corona Virus Disease 2019 (COVID-19) caused by SARS-CoV-2, a novel coronavirus, emerged on December 1, 2019 in Wuhan City, Hubei Province, China (Huang et al, 2020). It is highly infectious, and there is no effective treatment method. The World Health Organization (WHO) declared the COVID-19 epidemic as an international public health emergency on January 30, 2020. The overall confirmed cases in China had reached 78,959, by the end of February 27, 2020, a total of 2,791 people had died of the disease and COVID-19 had also spread to other 50 country with the confirmed cases and deaths were 4,696 and 67 respectively (WHO, 2020).

To prevent further dissemination of the virus, 31 Provinces in China Mainland had raised their public health response level to the highest state of emergency by January 29, 2020. The Chinese government has implemented a series of large-scale public health interventions to control the epidemic, many of which have far exceeded what International Health Regulations required, especially Wuhan lock-down, nationwide traffic restrictions and Stay at Home Movement. Wuhan had prohibited all transport in and out of the city on January 23, 2020, this may be the largest quarantine/movement restriction in human history to prevent infectious disease spread (Tian et al, 2020). Hundreds of millions Chinese residents, including 9 million Wuhan residents, had to reduce and even stop their inter-city travel and intra-city activities due to these strict measures.

Due to Wuhan lock-down, Kucharski et al (2020) estimated that the median daily reproduction number had declined from 2.35 of January 16, to 1.05 of January 30. Tian et al. (2020) estimated that the dispersal of infection to other cities was deferred 2.91 days. However, Read et al (2020) suggested that travel restrictions from and to Wuhan city are unlikely to be effective in halting transmission across China; with a 99% effective reduction in travel, the size of the epidemic outside of Wuhan may only be reduced by 24.9% on February 4. To control the spread of the epidemic, the Chinese government has actively adopted a series of strict prevention and control measures, such as city lockdowns and restricting people from entering and leaving their communities (Yin et al., 2019).

According to Austrian (2020), in the initial stage of the Novel coronavirus pandemic (January-February 2020), sub-Saharan Africa reported some of the lowest infection rates; steadily increasing since then. By April 2020, the World Health Organization detected community transmission in some African countries. Global health experts and African governments project the potential for more than two million COVID-19 deaths in sub-Saharan Africa if no action is taken. Fragile health systems will exacerbate the impact of

the outbreak and limit the ability to conduct adequate surveillance and control.

In response, the Zimbabwean government mandated national lockdown that closed non-essential business and stated that all citizens should remain in their homes for 21 days (Government of Zimbabwe, 2020). Essential purposes were exempt, defined as purchasing basic necessities, going to work (if employed by essential service providers), or going to a relative's house to provide care. Zimbabwe, like many countries in sub-Saharan Africa, has an under-resourced healthcare system, high levels of unemployment, densely populated urban areas, and shortages of basic commodities, including water and food (Viceisza, 2020). These March 2020, features mean that COVID-19 prevention measures may be very challenging to adhere to and enforce, resulting in wide-ranging social, economic, and health consequences if measures are not taken to support individuals to follow them. Lessons from the Ebola epidemic showed that the indirect mortality effects of a crisis in the context of a health system lacking resilience may be as important as the direct mortality effects of the crisis itself (Sochas, 2017).

Similarly, in a bid to control the spread of the epidemic, the President of the republic of Uganda on March 21, 2020, pronounced a total national lockdown, and directed closure of businesses, offices and sports activities, except those providing basic necessities and essential services such as food stores, supermarkets, hospitals, clinics, pharmacies, banks, insurance companies and security services. Furthermore, public transport was banned, restricting people from entering and leaving their communities and all citizens told to remain in their homes (Presidential state address, March 21, 2020).

### The Impact of Coronavirus Lockdown on SMEs in the Diaspora

There is no doubt that the coronavirus pandemic will bring about the most significant global economic changes that will be felt for generations. We see this with every new report of rising fatalities and closing businesses. For most countries, the impact will be severe, but for developing countries and those in Africa in particular, it could be catastrophic (Tembo, Executive Director, International Trade Centre, 2020).

The coronavirus outbreak is causing a global health emergency, and a global economic slowdown. Trade, investment, growth, and employment are all affected and the crisis will have an impact on the achievement of the UN Sustainable Development Goals. As the only international organization fully dedicated to supporting the competitiveness of micro, small and medium-sized enterprises (MSMEs), the International Trade Centre is closely following how the pandemic is affecting MSMEs

with a particular focus on those small businesses in developing countries (International Trade Centre, 2020).

### The Three Stages of the COVID-19 Epidemic in China and the Impact

*Stage One: Awakening to the Epidemic (December 2019 to January 20, 2020)*

A cluster of pneumonia of unknown etiology appeared in Wuhan in December 2019, where several cases were associated with exposure to a seafood market. Wuhan health officials closed the market and announced the 27 cases on December 30, 2019, after a few doctors in Wuhan sent social media messages warning their acquaintances about a SARS-like pneumonia. Three Chinese Center for Disease Control and Prevention expert teams were dispatched to Wuhan for investigation. The first two went to Wuhan on January 1 and January 8, respectively. They concluded that there was no person-to-person transmission, the epidemic was under control, and no new cases were reported. Meanwhile, the virus's genomic data were shared with GenBank of the U.S. National Institutes of Health and Global Initiative on Sharing All Influenza Data by the Chinese CDC and Fudan University on January 11. Soon after, these original genetic data helped Japan and Thailand link their new COVID cases to Wuhan. A third expert team from the central government went to Wuhan on January 19 and confirmed the person-to-person transmission. On January 20, the Chinese government hosted a high-level political meeting on COVID-19 management, triggered the national public health emergency, and added COVID-19 to the national Infectious Disease Information System that would guarantee mandatory case reporting according to the China's Health Emergency Regulations (Peng et al., 2020).

#### Impact on the Economy

Even before the lockdown, NASA satellite images showed Wuhan to have lower levels of pollutants in January 2020 than the same time a year ago, indicating a slowdown in industrial production, either because of the new, as yet unknown disease or because of undetermined causes that linked to the overall economic environment. The domestic consumer market and service sector now contribute more than half of China's GDP. However, multiple sectors were suffering significant demand weakness in the past year, most notably the automotive sector and Smartphones. The Chinese government has also been trying to reduce the high level of Domestic indebtedness that has led to less borrowing power for business. In other words, China's economy was facing many challenges and was slowing before COVID-19.

#### Stage Two: Quarantine and Shutdown (January 21, 2020, to February 21, 2020)

On January 30, 2020, the WHO declared the situation a public health emergency of international concern. Between January and February, there was spread of COVID-19 cases in all 31 provinces of mainland China. Wuhan was the epicenter of the epidemic, with 83% of the cases and 95% of the deaths in China on February 21. Wuhan's COVID-19 cases also showed a 100-fold infection rate and a four-times-higher CFR (4.2%), compared with those in other areas in China. Total Chinese reported case numbers increased from

309 on January 21, 2020, to 76,392 on February 21, 2020. By February 13, 2020, the WHO had recorded 170 cases of COVID-19 that had been reported outside China and had a connection to China. The majority of these cases (89%) did not lead to further transmission of the virus, and 19 cases were associated with at least four new infection clusters. The largest cluster involved 20 individuals in six countries.

#### China's Actions

The decision to lock down Wuhan on January 23, 2020, was made three days after the government accepted the fact that the outbreak was fueled by person-to-person transmission. All public transportation, including airports and railways from the city, were shut down two days before the Chinese New Year. On January 28, 16 more cities in the same province were under a similar lockdown policy. By January 29, all 31 provinces in China declared emergency level 1, which enabled local governments to employ social policing mechanisms to enforce self-quarantine, cancel public events, and prohibit crowd gatherings across the country. Most of the highways, railroads, and flights in China were shut down, and people were asked to stay home as much as possible. All tour groups were canceled. In rural areas, most villages in China closed traffic and set entrance checks. In the cities, residential areas were divided into small districts where residents had to show ID, and a daily quota was set to go in and out of the area. All business and recreational facilities, except grocery stores, were closed during the extended Chinese New Year period. All residents were required to wear face masks outdoors. Meanwhile, given the concentration and the severity of the COVID19 cases in Wuhan, the Chinese government mobilized resources, medical personnel, public health teams, and testing kit productions to support Wuhan.

Internationally, countries have placed various levels of restrictions on travel to and from China. As of February 19, international restrictions to China involved 99 countries in four forms: (1) border closures for partial or total closure of a land border with China, (2) entry or exit bans that generally restrict the ability of nationals to depart from their country for travel to China or the ability of foreign travelers and nationals to enter a country after traveling from or transiting through China, (3) visa restrictions that include total or partial visa suspensions or restrictions for travelers originating from or traveling through China, and (4) flight suspensions that include government bans on flights to or from China (WHO, 2020).

#### Impact on the Economy

Although official data are not yet available, most analysts believe that the outbreak, mass quarantine, and international travel ban began to severely affect China's economy at the end of January. Travel/tourism, hospitality, entertainment, and the financial industry suffered the most during this period. Revenue lost in both retail and food services during the Chinese New Year week is reported to be \$142 billion, as major chains shuttered stores across the country. Real estate sales and car sales also slumped. The service sector losses during the Chinese New Year in 2020 are expected to cost China 1% of lost GDP growth in the first quarter.

Not all retail sectors experienced losses. Kantar (an international consulting company) report showed that businesses relying on physical space and shops, such as supermarkets, traditional food markets, restaurants, car dealers, movie theaters, gyms, and bars, suffered losses, whereas local neighborhood markets (convenience stores) and online markets did particularly well. Online retail shops with apps built into social media were popular, as were such recent innovations as human-free markets and vending machines.

The widespread outbreak, mass quarantine, and travel ban also had an impact on the confidence of both domestic businesses and international companies, according to a survey of 761 business owners by the University of International Business and Economics in mid-February. Most of the business in the study fit the SME definition in China. Reported that company cash on hand could sustain their businesses for no more than three months, and 30% reported cash coverage of six to 12 months. Half of the businesses expected 10-30% loss of revenue this year. The most challenging issue reported was the company's cash flow. Furthermore, a survey conducted by researchers from Tsinghua University of 995 SMEs in February showed that 30% of the companies have seen their income drop by more than 50%; another 28% reported a 20% to 50% drop. More than one-third of the companies in the study reported that they could stay open for only one month with their current cash flow, 33% could sustain two months, and less than 10% could stay open for more than six months. Most of the financial pressure (62.8%) is from paying salaries and employee insurance and social security; rent and loan payments were the second and third causes for stress.

#### *Stage Three: Back-to-Work in China (February 21, 2020-Present)*

Since the COVID-19 epidemic in China reached its peak in mid-February, the Chinese government has switched its policy to restart the economy, prompted by the deepening worries about the near-term outlook for the national economy and employment. At the central-government level, China's central bank has given the economy a monetary stimulus of \$174 billion in February to ease borrowing costs and funds availability. China Development Bank, China's principal industrial lender, has issued about \$2 billion of bonds in global bond markets, and several Chinese SOEs raised over \$4 billion of COVID bonds to shore up their finances in February. To help borrowing, the official interest rate set by the central bank for commercial lenders was cut by a quarter percentage point, to 2.5%.

The State Council encouraged private commercial banks to postpone interest payments on loans to small businesses experiencing cash flow difficulties until the end of June and defer the repayments of principal for the time being. The State Council also ordered large state-owned banks to increase lending to small businesses by at least 30% in the first half of 2020. China's three government-run policy banks were also told to lend \$49.7 billion to small businesses at preferential rates. The central government encouraged local policy makers to provide fiscal support to keep SMEs afloat. For example, Beijing announced a series of measures to help struggling small businesses, including

exemptions on some rent payments for two months and reducing tax and contributions to the national social security fund.

Despite these efforts, SMEs still face the following challenges in reopening: First, local quarantine policy: Until recently, most cities and their subdivisions still required migrants or travelers from elsewhere to self-quarantine for 14 days. During these 14 days, either the factories or the workers themselves would have to cover rent and living costs. Second, business-reopening permits and health regulations: Many SMEs struggle to meet the COVID-19 prevention requirements from the local government agencies. Some local governments also push the burden of coronavirus prevention entirely on businesses. If one COVID-19 case cluster shows up in a business, the business will be closed for a longer period. Third, broken supply chain and logistics: Upstream SME closures are felt by downstream factories that are relying on the parts they produce for SMEs. Without the parts and necessary logistics to bring in materials and ship out products, many factories can barely produce or have no place to store the products. Most of the international shipping companies are slow in getting back to work because of the ongoing epidemic and various travel bans. Fourth, worries about revenue and cash flow: Because of the widespread low market demand, many small businesses have found that reopening only means they continue to pay rent and salaries without revenue. Many will pay staff minimal wages or lay off staff, which can further reduce demand.

#### **Impact on the Economy**

Luohan Academy estimated that, for every ten days of delay in return to work, the cost will be 0.39% to 0.46% of quarterly GDP growth. The longer the delay in returning to work, the bigger the impact on investor confidence and consumer confidence. This could lead to large scale closures of SMEs. The increased unemployment rate will in turn further suppress demand and investment. The delay of factory recovery to full-capacity production will certainly affect exports and further fracture the global supply chain.

#### **COVID-19 and SMEs in Uganda**

The COVID-19 pandemic may have the most severe and wide-reaching social, economic and health impacts in low- and middle-income countries like Uganda (Dahab, 2020). The Covid-19 Pandemic has hit SMEs in Uganda. The quarantines, travel restrictions, market lock downs, the ban on public transport and social-distancing measures are leading to a fall in consumer spending. Businesses that rely on physical spaces and interpersonal interactions, such as restaurants, supermarkets, markets, hotels, tour operators, bars, gyms are experiencing a severe drop in sales. Reduced sales are likely to result in a cash flow crunch in these businesses. Many small businesses import inputs or products for sale, from China. These will suffer shortages. The ban on public transport will also disrupt domestic supply chains. Due to diminished cash flows, many businesses are struggling to pay their employees and meet their other financial obligations. Moreover, the heightened uncertainty is leading to a reduction in access to credit, as financial institutions are less sure of the businesses' ability

to pay back loans (Daily Monitor, Wednesday April 1, 2020).

Despite these studies, the effect of coronavirus lockdown on small businesses in Arua Municipality in Uganda is not

known. This study was premised on this fact of absence of information in this area for purposes of devising suitable interventions so as to rejuvenate business activities in the municipality. Some of the gaps identified have been summarized in table 2.2

**Table 2:** Gaps derived from the previous studies

Scholar	Methodology	Contribution	Gap
Kucharski et al. (2020)	Estimation	Establishment of decline in production	The method used is non-scientific
Viceisza (2020)	Estimation	Knowledge on the widespread social, economic and health challenges	The method used is non-scientific Didn't explicitly focus on business
Tembo (2020)	Secondary data (reports)	Strategies of supporting SMEs during and after the lockdown period	Didn't explain where and when to offer the support
Peng et al. (2020)	Consultative meeting	Development of health emergence responses	Neglected businesses
Kanter (2020)	Survey	Encouragement to use online business	Online challenges
Luohan (2020)	Estimation	Demand management	The method used is non-scientific
Dahab (2020)	Online questionnaires	Suggestions to manage business finances	Response challenges Biasness
Sochas (2017)	Observation	Lessons learned from Ebola pandemic mortality rates	Concentrated on mortality rates
Yin et al., (2019)	Secondary data	Government interventions to curb spread of the coronavirus in China	Neglected businesses

Source: Literature 2020

In a nutshell, the existence of the above gaps denies the ever-anxious knowledge on the effect of coronavirus lockdown on small businesses in Arua Municipality in Uganda. These gaps are what motivated this study.

### 3. Methodology

This study used qualitative research design, underpinned by interpretivism philosophy. Data were sourced through face to face interviews consisting of 10 SMEs registered with the Uganda Registration Services Bureau (URSB). The participants included entrepreneurs, managers, purchasing officers and cashiers. We used purposeful random sampling because we wanted individuals with the knowledge and experience about the subject matter. Participants were requested to sign the informed consent letter to voluntarily participate or withdraw from the study at any stage if they wish to do so. The interview guide was piloted on the first three participants. Participants were given a study information sheet and their informed consent was obtained. Interviews were conducted in-person at the participants' workplace. Interviews ranged from 15 to 20 minutes. An interview guide is included (box 1).

The Qualitative data was analyzed using thematic analysis. Thematic analysis is an accessible and flexible approach to qualitative data analysis, which is based on coding (Braun & Clarke, 2006). Coding refers to categorizing data that is, labelling parts of text to a certain category (Joffe & Yardley, 2004). Interviews were transcribed, coded, and categorized, and analyzed on an ongoing basis as a source for further questions, the emergence of themes and as an eventual source for organizing patterns of response across categories and individuals in line with the aims of the study. Transcripts were coded and the coded data were investigated for relationships which linked them. The final thematic framework (box 2) was developed by the researcher.

#### Box 1 Interview guide

- 1) Do you think the lockdown due to coronavirus has affected your business? Yes or No
- 2) If yes, how has it affected your business?

- 3) What are the challenges you are facing now following the partial lifting of the lockdown?
- 4) In your view, what will be the overall consequence of the lockdown on business?
- 5) In your opinion, what should the government do to remedy the above challenges?

### 4. Qualitative Analysis and Results

Ten individuals participated in the study (table 4.1). The respondents were generally equally divided on the basis of the role held in the business: 6 of the 10 participants are the entrepreneurs/owners (60%). 4 of the respondents (40%) are practicing managers/servants. 70% of the participants are male, while 30% are female. The three main themes are presented with data from the interview transcripts (with the participant identifier) to reflect the main points of interest.

#### Theme 1: Loss of business revenue

When asked about the effects of lockdown on the business, participants overwhelming reported loss of business revenue. "The lockdown was so abrupt that my business lost about 90% of revenue. For me, my biggest clients are the academic institution that process receipt books, vouchers and purchase other scholastics materials and services. This was all gone when all the pre-primary, primary, post primary and tertiary institutions were closed on March 20, 2020" (EPR1). "We have lost all our big customers from Democratic Republic of Congo, the then Zaire our neighboring country" (EPR2). "For us, many of our semi-durable and perishable items as milk and milk products, and bread perished and others expired during the lockdown" (EPR4).

Well, some individuals have taken the lockdown as an opportunity not to pay debts. "Can you imagine may of our debtors have failed to pay within the agreed credit period" (MGR1). "We have lost money from sales, the business used to make on average 15,000,000/= daily. We forfeited this for all the days of the lockdown" (MGR2). MGRs simultaneously spoke of ("Lots and lots of revenue loss". "I

actually don't want to talk about" (MGR4). Many businesses are destined to closure unless some is done (EPR1).

<b>Box 2: Thematic framework: The effect of Lockdown on Small Scale Businesses</b>	
<b>1. Business revenue</b>	
A. Loss of customers	
B. Loss of sales	
C. Expiry of items	
D. Increased bad debts	
<b>2. Current challenges</b>	
A. Difficulty in debts collection	
B. Costly operating procedures set by the government	
C. High product and transport costs	
D. Limited working hours	
E. Reduced customer traffic	
F. Anxiety	
<b>3. Possible remedies</b>	
A. Waiver of taxes on small businesses	
B. Provision of soft loans	
C. Financial assistance	

**Table 3: Interview participant characteristics**

Identifier	Position/Role	Gender	Business experience (In years)
EPR1	Entrepreneur Cyclone Publishers	Male	8
MGR1	Manager Chakala Enterprises	Male	15
EPR2	Entrepreneur of Devine Phones	Male	9
EPR3	Entrepreneur Ndiomungu Hardware	Male	5
EPR4	Entrepreneur Jambo Sokoni Ltd	Female	16
EPR5	Entrepreneur Jan-Mohammad	Male	18
MGR2	Manager Freedom Bar & Restaurant	Female	6
MGR3	Manager Abu Mali Restaurant	Female	7
MGR4	Manager M-nate Computers	Male	5
EPR6	Entrepreneur Omia Producer Buyers Ltd	Male	14

\* EPR – Entrepreneur

\* MGR - Manager

**Theme 2: Current challenges**

In regard to challenges faced following the partial lifting of the lockdown, respondents mentioned a number of challenging conditions. EPR5 asserted that “there is common anxiety between the client and the attendant due to high risk of exposure to the on-going infections in the country. He further lamented that people fear for their dear life while transacting business, this scenario scares some people”. “To date it’s difficult to access some our suppliers whom we used to interact with easily” (MGR3). “Cost of material and/or products have shoot up, for example we used to purchase a rim of printing and photocopying paper at 11,000/=, but nowadays it is sold at 16,000/=” (EPR1). Operating procedures set by the government are challenging and costly, for instance “everybody is supposed to wear a face mask, sanitize, wash hands regularly and maintain a social distance of at least 2meters apart, however many people are not following these directives due to the cost and inconveniences involved. This makes it difficult to run the business” (EPR6).

The participants described the current situation as a complex one. MGR1 talked about “poor daily sales as a result of low

purchasing power and customer turnover”. “Thinks will never be the same, the future of this business is unclear” (MGR4). “Sometimes the government security personal interrogates you and waste your time on your way to work” (MGR1). “Even the working hours have reduced to 8 from 12hours. We used to open the shop at 8am and close at 8pm in the evening, but following the partial uplift of the lockdown, we are opening the business from 9am and close by 6pm because of the curfew in force that starts at 7pm and ends at 6am in the morning” (EPR2). Since public transport has not yet been fully opened, movement from and to the work place is still a problem (MGR3).

**Theme 3: Possible remedies**

Possible government remedies that were considered important for the participants included waiver of taxes, re-assessment of trading licenses, financial support in form of soft loans and grants, and complete lifting of the lockdown. Respondents highlighted government’s ability to turn around the challenging situation businesses are going through.

“EPRs collectively affixed that need for the government to implement measures to increase business access to liquidity since their sales have reduced and consequently their cash flow. When it comes to taxes, the government should lower the VAT rate from 18% to 16%, offer individual income tax relief to boost consumer spending, waive PAYE for six months and excuse eligible SMES from paying their 10% NSSF contribution for three months. These measures would free up needed cash for SMEs to meet their financial obligations. Individual income tax relief offered to consumers will also boost their purchasing power and ability to demand for goods/services”

To solve liquidity problems, Small scale businesses need to have access to no interest or low interest loans to meet their short-term financial obligations, starting with businesses in those sectors most affected by the pandemic (EPR6). One manger explained: “slashing interest rates would make it easier for banks and other financiers to lend to businesses. The Central Bank should engage in quantitative easing through purchasing back government securities. This would leave more money circulating in the economy. Then, lower capital reserve requirements for commercial Banks. This would free up more money for lending to businesses” (MGR1).

“The government should establish an economic injury loan guarantee scheme for small and medium sized businesses in impacted sectors like: entertainment, consumer goods among others, to provide them with zero-interest loans to meet their financial obligations and operating expenses. This guarantee scheme would not be a grant. Instead, it guarantees the loans taken out by SMEs affected by this pandemic from commercial banks. This guarantee would substantially reduce the risk profile of these SMEs and unlock needed funding to them” (MGR4)...Direct cash transfers to informal workers and vulnerable groups who live from hand to mouth would benefit from cash transfers to ensure that their livelihoods are not disrupted and boost their purchasing power (MGR2). “To reduce anxiety, inconveniences and movement difficulties, the government needs to completely lift the lockdown so that peoples’

confidence is rejuvenated and things come normality (EPR5).

## 5. Discussions of Findings

In this qualitative study of the effects of coronavirus lockdown on small scale businesses in Arua Municipality, we identified important themes: Loss of business revenue; challenges faced following the lifting of the lockdown; and possible government interventions to remedy the challenges. Overall, most of the participants overwhelmingly reported loss of business revenue and described the status quo as a complex one. "The lockdown was so abrupt that my business lost about 90% of revenue. For me, my biggest clients are the academic institution that process receipt books, vouchers and purchase other scholastics materials and services. This was all gone when all the pre-primary, primary, post primary and tertiary institutions were closed on March 20, 2020" (EPR1). "We have lost all our big customers from Democratic Republic of Congo, our neighboring country"

"For us, many of our semi-durable and perishable items as milk and milk products, and bread perished and others expired during the lockdown" (EPR4). These findings are consistent with a prior survey of 761 business owners in China (Kantar, 2020). The report showed that businesses relying on physical space and shops, such as supermarkets, traditional food markets, restaurants, car dealers, movie theaters, gyms and bars suffered immense losses. Similarly, a survey conducted by researchers from Tsinghua University of 995 SMEs in February, 2020 showed that 30% of the SMEs have seen their income drop by more than 50%. The findings indicate that the effect of the lockdown due to corona virus on small businesses is mammoth.

In relation to the challenges faced by businesses following lifting of the lockdown, respondents mentioned a number of challenging conditions they are encountering to date; such as anxiety, to failure to access some suppliers whom we used to interact with easily, increment in cost of material and/or products for instance, a rim of printing and photocopying paper at 11,000/=, but nowadays it is sold at 16,000/= (EPR1). Stringent and costly operating directives set by the government, poor daily sales as a result of low purchasing power and customer traffic, reduced working hours (12 to 8hours) and high transport costs.

The quarantines, travel restrictions, the ban on public transport, compulsory wearing of face masks, sanitizing or regular hand washing, and social-distancing measures have an impact on public confidence, and thus a fall in consumer spending. This implies that small scale businesses are struggling to stabilize and survive despite the lifting of the lockdown. These findings corroborate with Tian et al, (2020) who proclaim that because of the widespread low market demand, many small businesses have found that reopening only means they continue to pay rent and salaries without revenue. Many will pay staff minimal wages or lay off staff, which can further reduce demand. Our findings suggest that the government of Uganda needs to devise strategies so as to minimize these stressful challenges.

Participants collectively affixed need for the government to implement measures to remedy the challenges faced by the entrepreneurs. Such strategies include waiver of taxes, re-assessment of trading licenses, financial support in form of soft loans and grants, and complete lifting of the lockdown, similar to the findings of previous studies on effect of lockdown on SMEs. Tax relief has been identified as an important intervention to boost business recovery (Dahab 2020, International Trade Centre, 20220). Tax relief increases SME access to liquidity so as to meet daily business operational expenses following cash flow decline. Respondents also identified zero-interest loans to meet their financial obligations and operating expenses. This guarantees the loans taken out by SMEs affected by this pandemic from commercial banks. These strategies highlight the importance of government support to bolster business survival. However, government support to businesses inform of tax relief and financial assistance, though endorsed by participants, may be challenging given resource constraints, Uganda being a developing country that has not even attained middle income status. Such efforts could leverage business recovery, survival and growth.

## 6. Conclusion

This study sought to establish the effect of coronavirus lockdown on small businesses. Results have shown that coronavirus lockdown has a mammoth effect on small businesses. Specifically, the findings have indicated that the pandemic has led to business revenue loss, deterioration of perishable items and increased transaction costs. Therefore, the government of Uganda should intervene to save and rescue small businesses from closing.

## 7. Implications for Practice

The results from this study should be viewed as a contribution to the knowledge the effect of coronavirus lockdown on small business. The government of Uganda can use the finding of this study develop appropriate strategies to support small business in a bid to rescue since SMEs are great contributors to the Ugandan economy. Finally, this article highlights the voice of both entrepreneurs and managers on the effect of business lockdown and this may aid in diagnosing the required remedies, given the gravity of its impact.

## 8. Limitations

Our findings should be interpreted in the context of the potential limitations of our study. Firstly, our qualitative approach provides depth to our understanding of this problem but may not be generalizable to all entrepreneurs and all business settings. We interviewed small business practitioners in Arua Municipality, a single metropolitan area. Further work should explore how these experiences vary across businesses. Secondly, our interviews did not include small business customers having to reflect on their own experiences. Thirdly, in all qualitative studies, findings may be influenced by the perspectives of the investigators. Finally, participants provided retrospective accounts of their

experiences about coronavirus lockdown, recall and social desirability bias cannot be excluded.

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