Access to Long-Term Loans and Financial Performance of an SME in Sheema District, Uganda: Evidence from Numa Feeds Limited

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DOI: https://doi.org/10.47772/IJRISS.2026.100800095

Received: 12 August 2026; Accepted: 17 August 2026; Published: 27 August 2026

ABSTRACT

This study examined the relationship between long-term borrowing and the financial performance of Numa Feeds Limited in Uganda. The study was motivated by the need to understand how specific characteristics of long-term borrowing relate to the financial performance of the enterprise. A cross-sectional research design was adopted, and data were collected from 66 respondents selected from a study population of 80 employees of Numa Feeds Limited using purposive and simple random sampling techniques. Data were collected using a structured questionnaire and analysed using descriptive statistics, Pearson correlation and simple linear regression. The findings indicated favourable perceptions of long-term borrowing, with an overall mean of 4.06, and financial performance, with an overall mean of 4.14. Pearson correlation results revealed a moderate positive and statistically significant relationship between long-term borrowing and financial performance ($r = .501$, $p = .001$). The regression results indicated that long-term borrowing statistically accounted for 25.1% of the variation in the measured financial-performance score ($R^2 = .251$). The findings suggest that long-term borrowing is an important factor associated with financial performance at Numa Feeds Limited, although other factors also contribute to the firm's performance. The study recommends that management should align borrowing decisions with investment opportunities, repayment capacity and operating cash flows, while financial institutions should provide affordable loan products with repayment arrangements suited to SME cash-flow conditions. The study contributes enterprise-level evidence on long-term borrowing and financial performance and provides a basis for further research using objective financial indicators and multiple explanatory variables.

Keywords: Long-term borrowing; financial performance; SMEs; debt financing; loan repayment; Uganda; Numa Feeds Limited.

BACKGROUND TO THE STUDY

Small and medium-sized enterprises (SMEs) are important contributors to employment, income generation, and economic activity globally, making their financial performance a key consideration for economic sustainability and private-sector development (International Finance Corporation [IFC], 2024). The IFC reports that micro, small, and medium-sized enterprises account for more than 90% of firms globally and approximately 70% of employment, while enterprises in emerging markets and developing economies continue to face a substantial financing gap (IFC, 2024). Financial performance is therefore important not only for the survival and growth of individual enterprises but also for the SME sector's broader economic contribution.

Despite their economic importance, SMEs in emerging and developing economies continue to experience constraints that can affect their ability to achieve sustainable financial performance (IFC, 2024). One of the major challenges is inadequate access to appropriate financial resources, with the IFC estimating a multi-trillion-dollar financing gap for MSMEs in emerging markets and developing economies (IFC, 2024). Limited access to finance can restrict enterprises' ability to invest in productive assets, expand operations and respond to business opportunities, thereby potentially constraining their financial outcomes (IFC, 2024).

The challenge is particularly relevant in Africa, where SMEs operate in financial environments characterised by constraints in the availability and affordability of business finance (African Development Bank [AfDB], 2025). The AfDB has emphasised the importance of improving access to long-term financing for African SMEs by supporting financial institutions with long-term liquidity and credit facilities that can be used to finance SME investments and business activities (AfDB, 2025). This emphasis indicates that the issue facing SMEs is not simply whether finance exists, but whether enterprises can obtain financing with terms that are appropriate to their investment and repayment capacities. Consequently, the structure and maturity of external finance may be relevant to the financial performance of SMEs.

In Uganda, SMEs constitute an important part of private-sector activity, but their financial performance continues to be influenced by challenges associated with access to finance (Byamukama et al., 2024). Recent empirical evidence from Bushenyi District found that access to credit and SME performance are related, demonstrating the relevance of financing to enterprise outcomes within southwestern Uganda (Byamukama et al., 2024). Other Ugandan research has similarly examined the role of debt financing in SME financial performance, suggesting that the financing structure adopted by enterprises can have implications for their financial outcomes (Kafeero et al., 2025).

However, access to finance is not a single homogeneous concept. The financing conditions under which enterprises obtain funds may influence the extent to which such funds contribute to financial performance. In particular, long-term loans provide financing over an extended repayment period and may therefore be relevant to enterprises requiring funds for investments or activities whose benefits are realised over a longer period. Recent evidence from Masaka City specifically examined long-term loans as a component of debt financing and financial performance among SMEs, while a 2026 study in Kabale Municipality directly investigated the impact of long-term loans on SME financial performance.

Evidence from southwestern Uganda is therefore particularly relevant to the present study. Byamukama et al. (2024) examined access to credit and SME performance in Bushenyi District, while Nayiga and Zikusooka (2026) examined long-term loans and financial performance among selected SMEs in Kabale Municipality. Although these studies provide useful evidence, their findings arise from different geographical and organisational settings. The Bushenyi study examines general credit access, whereas the Kabale study focuses specifically on long-term loans**.** Therefore, the findings cannot automatically be generalised to every enterprise operating in Sheema District.

The issue is particularly relevant to Numa Feeds Limited because financial performance is central to the enterprise's ability to sustain operations and pursue growth, while the availability and conditions of external financing may influence its financial outcomes. The existing literature provides evidence that financing and financial performance are related among SMEs in Uganda, but there remains limited enterprise-specific evidence concerning how the characteristics of long-term borrowing relate to financial performance in Sheema District. This creates a contextual gap that warrants investigation.

Accordingly, the present study examines the relationship between access to long-term loans and the financial performance of Numa Feeds Limited in Sheema District, Uganda**.**

Problem Statement

Small and Medium Enterprises (SMEs) are expected to maintain sustainable financial performance characterised by adequate profitability, increasing sales, business expansion, efficient utilisation of resources and the ability to meet financial obligations as they fall due (International Finance Corporation [IFC], 2024; Ministry of Trade, Industry and Cooperatives [MTIC], 2022). Access to appropriate and suitably structured long-term loans can enable SMEs to finance productive investments, expand operations and acquire assets whose returns are realised over an extended period, thereby supporting sustainable financial performance (African Development Bank [AfDB], 2025; Nayiga & Zikusooka, 2026).

Despite the importance of SMEs to Uganda's economy and continued efforts to improve their access to finance, many SMEs continue to experience indicators of weak financial performance, including low or declining profitability, limited sales growth, slow business expansion, inadequate returns on investment and difficulties meeting financial obligations (BoU, 2023; Byamukama et al., 2024; Kato & Magara, 2026). Similar concerns are relevant to SMEs in southwestern Uganda, where access to finance and inadequate capital have been

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

associated with challenges in enterprise performance (Byamukama et al., 2024). At Numa Feeds Limited, however, the extent to which these financial-performance outcomes are associated with access to long-term loans has not been sufficiently established. In particular, it remains unclear whether the amount, maturity, affordability and repayment conditions of long-term loans are associated with improved financial performance. This contextual gap motivated the present study to examine the relationship between access to long-term loans and the financial performance of Numa Feeds Limited in Sheema District, Uganda.

Objective

To examine the relationship between access to long-term loans and the financial performance of Numa Feeds Limited in Sheema District, Uganda.

Research Questions

What is the relationship between access to long-term loans and the financial performance of Numa Feeds Limited in Sheema District, Uganda?

LITERATURE REVIEW

Access to Long-Term Loans

Long-term finance refers to financial instruments whose maturity exceeds one year and includes bank loans and other forms of debt financing (World Bank, 2016). Similarly, long-term debt is generally understood as a financial obligation whose repayment extends beyond one year (IMF, 2009). For the purpose of this study, **access to long-term loans** refers to the extent to which an SME is able to obtain loan financing with a repayment period exceeding one year, under conditions that are suitable for its business activities. This definition goes beyond merely obtaining a loan and recognises the importance of the amount available, maturity period, interest rate, collateral requirements and repayment conditions in determining whether long-term financing is accessible and useful to an enterprise.

Financial Performance of SMEs

Financial performance refers to the extent to which an enterprise achieves desirable financial outcomes from its business operations. Financial performance is commonly assessed using financial measures derived from accounting information, including profitability, returns, sales/revenue growth and cash-flow-related indicators. Financial-performance assessment therefore indicates an enterprise's financial health and its capacity to generate satisfactory returns from the resources employed. For SMEs, financial performance can consequently be understood as the extent to which an enterprise is able to achieve profitability, growth in sales or revenue, satisfactory returns on investment, adequate cash flows and the capacity to meet its financial obligations. These indicators are particularly relevant because they capture both the enterprise's ability to generate financial returns and its capacity to sustain its operations.

Working Definitions for the Present Study

Access to Long-Term Loans: The extent to which the enterprise can obtain loan financing with a maturity exceeding one year under favourable borrowing conditions.

Financial Performance of SMEs: The extent to which an enterprise achieves desirable financial outcomes, reflected in profitability, sales growth, returns, cash-flow adequacy and ability to meet financial obligations.

Theoretical underpinning

Pecking Order Theory

The **Pecking Order Theory**, developed by Myers and Majluf (1984), argues that firms prefer to finance their activities using internally generated funds first, followed by debt and finally external equity. The theory is based on information asymmetry, where managers have more information about the firm than external investors, making debt a more attractive option than issuing new equity (Myers, 1984). Frank and Goyal (2003) further argue that firms are likely to rely on debt when internal funds are insufficient to meet their investment and operational needs. In the case of Numa Feeds Limited, this theory suggests that when internally generated funds are inadequate to finance expansion, the purchase of production equipment and other long-term investments, the company may rely on long-term loans to obtain the required capital. Such borrowing can enable the company to expand its operations, increase production and generate additional revenues, thereby improving financial performance. Therefore, the Pecking Order Theory provides a basis for examining whether access to long-term loans is associated with the financial performance of Numa Feeds Limited.

Trade-Off Theory

The **Trade-Off Theory**, developed by Kraus and Litzenberger (1973), proposes that firms determine their level of debt by balancing the benefits of borrowing against its costs and risks. The benefits of debt may include tax advantages and access to funds for investment, while excessive borrowing may increase interest costs and the risk of financial distress (Myers, 1984). Frank and Goyal (2009) further explain that firms consider factors such as profitability, asset structure and financial risks when making capital structure decisions. For Numa Feeds Limited, the theory suggests that long-term loans can be beneficial when the borrowed funds are invested in productive activities such as expanding production capacity, acquiring machinery and improving business operations, provided that the returns generated are sufficient to meet interest and principal repayment obligations. However, excessive or costly borrowing may reduce financial performance by increasing the company's financial burden. Thus, the Trade-Off Theory directly supports the study by explaining why the effect of long-term borrowing on Numa Feeds Limited's financial performance depends not only on access to loans but also on the cost, amount, and productive use of the borrowed funds.

Empirical Literature Review:

Access to Long-Term Loans and Financial Performance of SMEs

Empirical evidence generally suggests that external debt can be associated with SME financial performance, although the direction and magnitude of the relationship vary across contexts and according to the conditions attached to borrowing. Shikumo et al. (2020), for example, found that long-term debt positively and significantly influenced financial growth among non-financial firms listed on the Nairobi Securities Exchange. The finding suggests that longer-term borrowing can provide resources for productive investment and expansion. However, the study focused on listed firms rather than SMEs, whose access to finance, collateral capacity and debt-servicing ability may differ substantially. The evidence therefore provides support for the potential performance benefits of long-term debt but leaves a contextual gap concerning SMEs.

Within Uganda, Byamukama et al. (2024) examined access to credit and SME performance in Bushenyi District and found a positive relationship between credit access and enterprise performance. This finding indicates that availability of external finance can be relevant to SME outcomes in southwestern Uganda. However, the study considered credit access broadly rather than distinguishing long-term loans from other forms of borrowing. Consequently, it does not establish whether the specific characteristics of long-term borrowing are associated with SME financial performance, creating a conceptual gap relevant to the present study.

More specific evidence is provided by Kafeero et al. (2025), who examined debt financing and financial performance among selected SMEs in Masaka City. The study treated long-term loans, short-term loans and trade credit as separate dimensions of debt financing and specifically examined the relationship between long-term loans and financial performance. This is important because it moves beyond the broad concept of credit access and recognises that different forms of debt may have different implications for performance. Nevertheless, the study was conducted in Masaka City and examined selected SMEs collectively; therefore, its findings do not establish whether the same relationship applies to an individual enterprise operating in Sheema District.

Evidence from Ntungamo Municipality provides another geographically relevant comparison. Wangolo and Ahumuza (2025) examined debt financing and financial performance among selected SMEs in Ntungamo

Municipality, focusing on long-term loans, short-term loans and trade credit. The study used a cross-sectional explanatory design and surveyed 66 SME respondents. The inclusion of long-term loans as a distinct financing category makes the study relevant to the present research and strengthens the evidence base from southwestern Uganda. However, Ntungamo Municipality represents a different business environment from Sheema District, and the study examined multiple SMEs rather than Numa Feeds Limited; consequently, its findings cannot automatically be generalised to the present case.

The most directly comparable recent evidence comes from Nayiga and Zikusooka (2026), who investigated the impact of long-term loans on the financial performance of selected SMEs in Kabale Municipality. The study specifically focused on long-term borrowing and reported a positive and statistically significant relationship between long-term loans and financial performance. This finding provides strong empirical support for the proposition that long-term borrowing can be associated with improved SME financial performance. However, the existence of a positive relationship in Kabale does not necessarily imply that the same magnitude of relationship exists in Sheema because differences in enterprise characteristics, financing arrangements, management practices and local business conditions may influence the outcome. The Kabale study therefore provides a strong comparative benchmark while leaving a geographical and enterprise-level gap for the present study.

The literature further indicates that the conditions under which long-term loans are obtained may be as important as the availability of the loans themselves. Evidence from Kabale identifies long-term borrowing as relevant to SME financial performance, while the broader Ugandan debt-financing literature suggests that the cost and structure of debt can influence financial outcomes (Nayiga & Zikusooka, 2026; Odyek, 2025). Odyek (2025), studying SMEs in Lira City, found a significant negative relationship between high cost of debt and financial performance and reported that elevated interest rates and short repayment periods could erode profitability and capital efficiency. This evidence qualifies the argument that borrowing is automatically beneficial: long-term loans may support performance when their costs and repayment terms are manageable, but unfavourable debt conditions may reduce expected benefits. The extent to which this applies to Numa Feeds Limited remains unknown.

The contrasting evidence is important for interpreting the long-term-loan–performance relationship. On one hand, studies in Masaka, Kabale and other Ugandan contexts provide evidence that debt financing or long-term loans are positively associated with SME financial performance (Kafeero et al., 2025; Nayiga & Zikusooka, 2026). On the other hand, evidence from Lira indicates that expensive debt and restrictive repayment conditions can negatively affect performance (Odyek, 2025).The apparent differences do not necessarily constitute a contradiction in the underlying relationship; rather, they suggest that the performance implications of long-term borrowing may depend on loan amount, cost, maturity and repayment capacity. This justifies examining the individual characteristics of long-term loans at Numa Feeds Limited rather than treating long-term finance as a uniform source of capital.

Another important issue emerging from the empirical literature is the variation in the strength of the relationship across geographical contexts**.** Evidence from Masaka, Ntungamo and Kabale demonstrates that long-term loans have been examined in different southwestern Ugandan settings, but the studies differ in their samples, organisational contexts and analytical approaches (Kafeero et al., 2025; Wangolo & Ahumuza, 2025; Nayiga & Zikusooka, 2026). This variation makes it inappropriate to assume that findings from one district necessarily apply to another. The literature therefore supports the need for additional context-specific evidence, particularly from Sheema District.

The empirical literature also reveals a measurement gap. Existing studies variously measure financial performance through profitability, financial growth, returns and other performance indicators, while long-term financing has been operationalised using dimensions such as loan availability, loan amount, maturity, interest rates and repayment conditions (Shikumo et al., 2020; Nayiga & Zikusooka, 2026). The differences in operationalisation make direct comparison of effect sizes difficult and may partly explain variations in reported findings. The present study addresses this gap by examining long-term loans using specific indicators—loan acquisition, loan maturity, interest-rate affordability, principal amount, collateral availability, and repayment arrangements—and relating them to financial performance at Numa Feeds Limited.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

Hypothesis

H_1: There is no significant positive relationship between access to long-term loans and the financial performance of Numa Feeds Limited in Sheema District, Uganda.

Summary of Literature Reviewed

The literature reviewed shows that financial performance is essential for the survival, growth and sustainability of SMEs. It is generally reflected in profitability, sales growth, returns, cash-flow adequacy and the ability of enterprises to meet their financial obligations. The review further establishes that access to long-term loans can support SME financial performance by providing funds for investment, expansion and acquisition of productive assets. However, the benefits of long-term borrowing depend on conditions such as loan amount, interest rate, maturity period, collateral requirements and repayment arrangements.

Previous studies conducted in Uganda have examined the relationship between financing practices and financial performance in different geographical and organisational contexts, including Bushenyi, Masaka, Ntungamo and Kabale. Although these studies provide useful empirical evidence on the importance of financing decisions, their findings may not fully represent the financing environment of Numa Feeds Limited. Differences in business operations, firm characteristics, access to financial institutions, loan conditions, collateral requirements, and local market conditions may influence how long-term borrowing relates to financial performance. The present study therefore extends the existing evidence by focusing specifically on Numa Feeds Limited and examining long-term borrowing characteristics, including loan duration, interest-rate affordability, principal amount, collateral requirements and repayment arrangements. The study consequently provides enterprise-level evidence from a context that has received limited empirical attention.

METHODOLOGY

Research Design

The study adopted a cross-sectional survey design to examine the relationship between access to long-term loans and financial performance at Numa Feeds Limited, Sheema District. The design enabled the researcher to collect data from management and staff at a single point in time and assess their perceptions regarding access to long-term loans and the financial performance of the enterprise.

Study Population

The study population comprised all 80 employees of Numa Feeds Limited, Sheema District, Uganda. The employees constituted the sampling frame because they were involved in, or had knowledge of, the enterprise's financial activities, including acquisition and utilisation of long-term loans, repayment obligations and business performance. The study therefore focused exclusively on Numa Feeds Limited rather than treating the wider SME population in Sheema District as the study population.

Sample Size and Sampling Procedure

The study selected 66 respondents from the population of 80 employees of Numa Feeds Limited. Management staff was selected using purposive sampling because of their direct involvement in, and knowledge of, the enterprise's financial management, financing decisions, acquisition and management of long-term loans, and business operations. Simple random sampling was used to select other eligible employees from the remaining staff population, giving each eligible employee an opportunity to participate in the study.

The final sample comprised 66 respondents, representing 82.5% of the total workforce of 80 employees. The relatively high sampling fraction was appropriate for the single-enterprise study and enabled the researcher to obtain information from a substantial proportion of the accessible population.

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Data Sources and Collection

The study relied primarily on primary data collected from management and staff of Numa Feeds Limited using a structured self-administered questionnaire. Face-to-face interviews with selected management personnel were also used to obtain supplementary information and clarify responses relating to long-term loan financing and financial performance. The original study used questionnaires for operational staff and interviews with management staff.

Secondary data were obtained from relevant organizational records and documents, including financial reports and other records relating to financing and business performance, where such information was available.

Measurement of Variables

The independent variable, access to long-term loans, was measured using questionnaire items assessing loan acquisition, loan maturity, interest-rate affordability, principal amount, collateral availability and repayment arrangements. Responses were measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The dependent variable, financial performance, was measured using respondents' perceptions of sales growth, liquidity, profitability, debt repayment capacity and achievement of projected sales. These indicators were measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. Because independently verified financial statements and other objective financial records were not available to the researcher, the study treats these measures as indicators of perceived financial performance rather than audited or objectively verified financial performance.

Validity and Reliability

Content validity was assessed using the **Content Validity Index (CVI)**. The original study adopted a minimum CVI of **0.70** as the threshold for acceptable content validity. Reliability was assessed using **Cronbach's alpha**, with a coefficient of **0.70 or higher** considered acceptable for internal consistency. The questionnaire was piloted before the main data collection to identify ambiguities and improve the quality of the instrument.

Data Analysis

Data were coded and analysed using the Statistical Package for the Social Sciences (SPSS). Descriptive statistics, particularly means and standard deviations, were used to summarise respondents' perceptions of access to long-term loans and financial performance. Pearson product-moment correlation analysis was used to establish the direction and strength of the relationship between access to long-term loans and financial performance. Simple linear regression analysis was further used to assess the extent to which access to long-term loans was statistically associated with variation in financial performance. The coefficient of determination (R^2) was used to indicate the proportion of variation in the financial-performance measure statistically associated with access to long-term loans. The analysis does not imply causality because the study employed a cross-sectional design and did not control for other potentially relevant determinants of financial performance.

Ethical Considerations

The study obtained institutional authorization to conduct the research and sought permission from Numa Feeds Limited before collecting data. Participation was voluntary, and respondents were informed about the purpose of the study. Confidentiality and anonymity were maintained by avoiding unnecessary disclosure of respondents' identities and using the collected information strictly for academic purposes.

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

Introduction

This chapter presents the findings on the relationship between **long-term loans and the financial performance of Numa Feeds Limited, Sheema District**. The analysis is based on responses measured using a five-point Likert scale, where 1 represented strongly disagree and 5 represented strongly agree. Descriptive statistics,

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

including means and standard deviations, were used to summarize respondents' perceptions, while Pearson's product-moment correlation was used to establish the relationship between long-term loans and financial performance.

Access to Long-Term Loans

The study examined access to long-term loans using indicators relating to loan availability, duration, affordability, collateral, and repayment conditions.

Table 4.1: Access to Long-Term Loans

Statement	**Mean**	**SD**
The enterprise acquires long-term loans to finance its operations	3.83	0.702
Long-term loans are generally over one year in duration	4.06	0.681
Interest rates on long-term loans are affordable	4.26	0.866
Long-term loans are associated with higher principal balances	4.31	0.864
The enterprise has sufficient collateral to access long-term loans	4.01	0.943
Repayment of long-term loans is convenient	4.05	0.757
Frequency of long-term loan repayment is convenient	3.88	0.937
Overall mean	**4.06**	**0.620**

Source: Primary data, 2026.

The findings indicate that respondents generally agreed that Numa Feeds Limited has access to long-term loans, as reflected by the overall mean of **4.06 (SD = 0.62)**. The highest mean was recorded for the statement that long-term loans were associated with higher principal balances (**M = 4.31, SD = 0.864**), followed by the affordability of interest rates (**M = 4.26, SD = 0.866**). Respondents also reported favourable perceptions regarding loan duration, collateral availability and repayment convenience.

These results suggest that long-term financing was generally accessible to the enterprise and that respondents perceived the financing conditions as relatively favourable.

Financial Performance of Numa Feeds Limited

Financial performance was assessed using sales growth, liquidity, profitability, debt repayment capacity and achievement of projected sales.

Table 4.2: Financial Performance of Numa Feeds Limited

Financial performance indicator	**Mean**	**SD**
There is an increase in the sales value of the enterprise	4.13	0.866
The enterprise has enough cash to meet its obligations	4.28	0.828
Profit levels of the enterprise are increasing every year	3.89	0.918

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

The enterprise is able to pay off all its debts	3.85	0.925
All projected sales by the enterprise are achieved	4.66	0.570
Overall mean	**4.14**	**0.837**

Source: Primary data, 2026.

The results indicate that respondents perceived the financial performance of Numa Feeds Limited to be generally favourable, with an overall mean of 4.14 (SD = 0.837). Achievement of projected sales recorded the highest mean (**M = 4.66, SD = 0.570**), followed by the enterprise's ability to maintain sufficient cash to meet its obligations (**M = 4.28, SD = 0.828**). Profitability recorded a mean of **3.89**, while the ability to pay debts recorded a mean of **3.85**.

Overall, the findings indicate that respondents perceived Numa Feeds Limited as demonstrating relatively favourable financial performance in terms of sales, liquidity and profitability.

Relationship between Long-Term Loans and Financial Performance

Pearson's product-moment correlation coefficient was used to determine whether a statistically significant relationship existed between long-term loans and financial performance.

Table 4.3: Correlation between Long-Term Loans and Financial Performance

Variables	**Long-term loans**	**Financial performance**
Long-term loans	1.000	**.501**
Financial performance	**.501**	1.000
Sig. (2-tailed)	—	**.001**
N	66	66

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

The results indicate a **moderate positive and statistically significant relationship** between long-term loans and financial performance (**r = .501, p = .001, n = 66**). Since the p-value is less than 0.05, the null hypothesis that there is no significant relationship between long-term loans and financial performance is rejected.

The positive coefficient indicates that higher levels of long-term loan utilization were associated with higher levels of financial performance. However, the magnitude of the correlation indicates a **moderate rather than strong relationship**, suggesting that other factors also contribute to the financial performance of the enterprise.

Contribution of Long-Term Loans to Financial Performance

A simple regression model was also used to assess the explanatory contribution of long-term loans to financial performance.

Table 4.4: Model Summary

R	**R Square**	**Adjusted R Square**	**Std. Error**
.501	.251	.240	.482

Predictor: Long-term loans.

The results show an **R of .501**, indicating a moderate positive relationship between long-term borrowing and financial performance. The R^2 of .251 indicates that long-term borrowing was associated with approximately 25.1% of the variation in the measured financial-performance score in the regression model, while the remaining 74.9% may be explained by other factors not included in the model. This does not mean that long-term borrowing is responsible for 25.1% of financial performance. Rather, it indicates that variation in long-term borrowing was statistically associated with variation in the measured financial-performance score. Therefore, long-term borrowing is an important factor associated with financial performance at Numa Feeds Limited, although other factors also contribute to the firm's financial performance.

Summary of Findings

The study established three key findings.

First, respondents reported relatively favourable access to long-term loans, reflected by an overall mean of 4.06 (SD = 0.62)**.**

Second, financial performance was also rated favourably, with an overall mean of 4.14 (SD = 0.837)**,** particularly in relation to achievement of projected sales and liquidity.

Third, the study established a moderate, positive and statistically significant relationship between long-term loans and financial performance ($r = .501$, $p = .001$**)**. Long-term loans accounted for approximately 25.1% of the variation in financial performance based on the reported R^2.

Overall, the findings demonstrate that access to and utilization of long-term loans are positively associated with the financial performance of Numa Feeds Limited. The moderate correlation ($r = .501$, $p = .001$) and explanatory power ($R^2 = .251$) suggest that long-term financing is an important determinant of performance, although substantial variation remains attributable to other organizational and environmental factors.

DISCUSSION OF FINDINGS

The study found that Numa Feeds Limited acquires long-term loans to finance its operations (M = 3.83, SD = 0.702), indicating that long-term borrowing constitutes an important component of the enterprise's financing arrangements. This finding is consistent with Mugisha (2021)**,** who examined capital structure and financial performance among SMEs in the Buganda Region and included long-term debt as an important component of SME financing. However, the finding should be interpreted alongside evidence from Turyahebwa (2022)**,** whose study of SMEs in Central Uganda found that capital structure, including long-term debt, was significantly associated with financial performance. The convergence of these findings suggests that long-term borrowing is an important financing mechanism for SMEs, although its contribution to performance may depend on how borrowed funds are deployed. In the context of Numa Feeds Limited, long-term borrowing therefore appears to provide an important source of external finance for sustaining business operations.

The study found that long-term loans at Numa Feeds Limited generally extend beyond one year (M = 4.06, SD = 0.681), indicating favourable perceptions regarding the maturity period of borrowed funds. This finding is consistent with Nayiga and Zikusooka (2026)**,** who specifically examined long-term loans and financial performance among SMEs in Kabale Municipality and reported that loan repayment period was positively associated with financial performance. The finding is also broadly consistent with the evidence of Akiiza (2018)**,** who examined credit terms among SMEs in Nansana Town Council and found that loan repayment period was an important credit-term factor influencing SME performance. The consistency across these studies suggests that the maturity period of borrowing is an important consideration in SME financing. At Numa Feeds, the favourable perception of loan maturity suggests that the enterprise may have access to repayment horizons that provide flexibility in managing its financial obligations. However, the present finding is based on respondents' perceptions and therefore does not by itself establish that longer maturity improves financial performance.

The study found that respondents perceived interest rates on long-term loans at Numa Feeds Limited as affordable (M = 4.26, SD = 0.866). This finding can be contrasted with Ekubu (2024), who examined access to finance and financial performance among SMEs in Soroti City and specifically considered cost of credit as one of the dimensions of financial access. Similarly, Akiiza (2018) found that some interest-rate conditions significantly affected SME financial performance in Nansana Town Council. Unlike these studies, where the cost of credit was identified as an important financing consideration, respondents at Numa Feeds perceived long-term-loan interest rates as favourable. This difference may reflect variations in lending conditions, enterprise characteristics and relationships with financial institutions. Nevertheless, the current finding should be interpreted cautiously because affordability of interest rates represents respondents' perceptions and does not independently establish a causal effect on financial performance.

The study found that respondents strongly agreed that Numa Feeds Limited obtains long-term loans with relatively high principal balances (M = 4.31, SD = 0.864), making this the highest-rated dimension of long-term financing. This finding indicates that respondents perceive the amount of long-term financing available to the enterprise as favourable. The finding is consistent with Akiiza (2018), whose study found that the ability of SMEs to acquire the loan size they require was an important aspect of access to credit. It is also broadly consistent with Nayiga and Zikusooka (2026), whose study specifically examined loan characteristics, including loan amount, in relation to SME financial performance in Kabale Municipality. The convergence suggests that adequate loan amounts can provide SMEs with greater capacity to finance business activities. However, larger loan amounts should not automatically be interpreted as evidence of better financial performance because their benefits depend on productive utilisation, borrowing costs and repayment capacity.

The study found that Numa Feeds Limited has adequate collateral to facilitate access to long-term loans (M = 4.01, SD = 0.943), suggesting that collateral is not perceived by respondents as a major constraint to long-term borrowing. This finding is relevant to Ekubu (2024), who specifically examined collateral security as one of the dimensions of access to finance and its relationship with SME financial performance in Soroti City. It is also consistent with Akiiza (2018), whose study examined collateral requirements and found that different collateral conditions had different implications for SME access to finance and performance. The relatively favourable perception at Numa Feeds may therefore indicate that the enterprise possesses sufficient assets or has established financing relationships that facilitate access to long-term credit. However, the present study measures perceived collateral adequacy and does not establish that collateral directly improves financial performance.

The study found that repayment of long-term loans was generally perceived as convenient at Numa Feeds Limited (M = 4.05, SD = 0.757). This finding is consistent with Nayiga and Zikusooka (2026), whose study identified repayment period as an important dimension of long-term financing and reported a positive relationship between repayment period and SME financial performance in Kabale Municipality. However, the finding contrasts with evidence from Akiiza (2018), who found that some loan repayment-period conditions did not significantly affect SME performance in Nansana Town Council. The difference suggests that the importance of repayment convenience may vary according to the specific lending arrangements and operating characteristics of enterprises. At Numa Feeds, the favourable perception may indicate that repayment obligations are sufficiently compatible with the enterprise's cash-flow capacity. Nevertheless, the result should be interpreted as evidence of favourable financing conditions rather than proof of a direct performance effect.

The study found that the frequency of long-term loan repayment was generally considered convenient at Numa Feeds Limited (M = 3.88, SD = 0.937), although it recorded the lowest mean among the seven long-term-financing indicators. This finding is consistent with the broader evidence of Nayiga and Zikusooka (2026), which emphasises the importance of repayment conditions in the relationship between long-term loans and SME financial performance. It can also be related to Mugisha (2021), whose broader analysis of capital structure and SME financial performance demonstrates that the effect of debt financing cannot be considered independently of the firm's financial capacity and operating environment. The comparatively lower mean at Numa Feeds therefore suggests that, although access to long-term finance is generally favourable, the frequency and timing of instalments remain relatively sensitive aspects of debt management. Repayment schedules that correspond with operating cash flows may therefore provide more sustainable financing conditions.

Overall Relationship between Long-Term Loans and Financial Performance

The study established a moderate positive and statistically significant relationship between long-term loans and financial performance at Numa Feeds Limited (r = .501, p = .001, n = 66). This finding is consistent with Kafeero et al. (2025)**,** whose study specifically investigated the relationship between long-term loans and financial performance among SMEs in Masaka City, Uganda. It is also consistent with Nayiga and Zikusooka (2026)**,** who examined the same relationship among SMEs in Kabale Municipality and reported a positive relationship between long-term loans and financial performance. However, the current finding differs from Mugisha (2021)**,** who reported that long-term debt had a negative and insignificant effect on SME financial performance in the Buganda Region. This difference is important because it demonstrates that the contribution of long-term borrowing to SME performance is not necessarily uniform across geographical and organisational contexts. The positive association at Numa Feeds may reflect favourable borrowing conditions, productive utilisation of borrowed funds or enterprise-specific financing arrangements.

The regression results further show that long-term loans explained 25.1% of the variation in financial performance**,** leaving 74.9% attributable to other factors outside the model. This finding reinforces the argument that long-term financing is an important but not exclusive determinant of SME financial performance. It is broadly consistent with Turyahebwa (2022)**,** whose study found that capital structure and investment decisions together explained a substantial proportion of variation in SME financial performance in Central Uganda. Therefore, while the present study demonstrates that long-term loans matter for Numa Feeds Limited, financial performance should also be understood in relation to other financial, managerial, operational and market factors.

CONCLUSION

The study concludes that long-term borrowing is significantly and positively associated with financial performance at Numa Feeds Limited. The moderate correlation (r = .501, p = .001) suggests that firms' access to and management of long-term borrowing is associated with better reported financial performance. The regression results further indicate that long-term borrowing explains 25.1% of the variation in the measured financial-performance score. However, the cross-sectional design and reliance on perceptual measures mean that the findings demonstrate association rather than causation. Other organisational and market factors may also influence financial performance.

RECOMMENDATIONS

Management of Numa Feeds Limited

Management should ensure that long-term loans are directed toward productive investments that have the potential to generate sufficient returns to meet debt obligations. This recommendation is supported by the significant positive association between long-term borrowing and financial performance (r = .501, p = .001). However, borrowing should be viewed as a financing tool rather than a guarantee of improved performance.

Management should conduct a cost-benefit and repayment-capacity assessment before obtaining additional long-term loans. Particular attention should be given to the principal amount, interest rate, expected returns from the investment and the company's ability to meet future debt obligations. The relatively high rating for principal amounts should not be interpreted to mean that larger loans automatically improve financial performance.

Management should negotiate loan repayment schedules that correspond with the company's operating cash-flow cycle. This recommendation is particularly important because repayment frequency recorded the lowest mean among the long-term-loan indicators. Aligning repayments with cash inflows could help the company meet its debt obligations while maintaining sufficient funds for routine operations.

Management should establish clear procedures for monitoring how borrowed funds are utilised and periodically assess whether financed investments are generating the expected returns. This would help prevent the diversion of long-term loans to activities that do not contribute to the company's financial sustainability.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

Financial Institutions

Financial institutions should design long-term loan products that consider the financial capacity and operating characteristics of SMEs. Loan amounts, interest rates and repayment periods should be structured in ways that are manageable for borrowing enterprises.

Financial institutions should consider offering competitive interest rates and transparent loan-pricing arrangements to reduce the financial burden associated with long-term borrowing. This is particularly relevant where interest-rate affordability is a concern among SMEs.

Financial institutions should provide repayment arrangements that reflect the cash-flow cycles of different businesses. Flexible repayment schedules could enable SMEs to meet their debt obligations without unnecessarily constraining funds required for daily operations.

Government and SME-Support Institutions

Government and SME-support institutions should strengthen programmes that improve access to affordable long-term financing for SMEs, particularly enterprises facing high collateral requirements and other borrowing constraints.

Government should expand credit-guarantee arrangements and other financing-support mechanisms that can help viable SMEs access long-term loans without being excessively constrained by collateral requirements.

Credit-access programmes should be complemented by training in financial planning, debt management, investment appraisal and loan utilisation. Access to finance is more likely to be beneficial when SMEs have the capacity to manage borrowed funds effectively.

Future Research

Future researchers should examine other factors that may explain SME financial performance because long-term borrowing accounted for only 25.1% of the variation in the measured financial-performance score in this study. Potential variables include working-capital management, financial literacy, managerial competence, loan-utilisation efficiency, market conditions and business risk.

Future studies should combine questionnaire-based measures with objective financial indicators such as sales growth, net profit, return on assets, liquidity ratios and debt-service indicators. This would provide stronger evidence of the relationship between long-term borrowing and financial performance.

Future researchers should consider multiple regression models that incorporate relevant control variables such as firm size, firm age, working-capital management, managerial competence and market conditions. This would provide a more comprehensive assessment of the relationship between long-term borrowing and financial performance. Future studies should involve several SMEs across Sheema District and southwestern Uganda rather than focusing on a single enterprise. A larger and more diverse sample would improve the generalisability of the findings and help determine whether the relationship observed at Numa Feeds Limited is also evident among other SMEs.

Table: Reviewer Comments and How They Were Addressed

Reviewer's Concern / Comment	**Issue Identified**	**Action Taken in the Revised Manuscript**	**How the Issue Was Addressed**
The cross-sectional design limits the ability to establish causality.	The original wording could imply that long-term loans caused	The terminology was changed from **"effect"** to **"relationship"** or	The study now interprets the findings as showing a statistical association rather than causation. The conclusion and discussion

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

	improvements in financial performance.	**"association"** throughout the manuscript.	were also revised to avoid causal claims.
The study relies substantially on respondents' perceptions of financial performance.	Perceptual measures may not fully represent actual financial performance.	The methodology was clarified to indicate that financial performance was measured using respondents' perceptions. The limitation was explicitly acknowledged.	The revised manuscript recognises that perceptual measures do not substitute for objective indicators such as profitability, revenue growth, ROA, liquidity and debt-service measures.
Objective financial indicators should be considered.	The study did not sufficiently distinguish perceived financial performance from objectively measured performance.	The revised manuscript recommends that future studies combine questionnaire responses with objective financial information where accessible.	Future research is recommended to incorporate audited financial statements and indicators such as net profit, sales growth, ROA, current ratio and debt-service indicators.
There was an unresolved issue concerning the study population and sample.	The manuscript contained an inconsistency concerning the population, including an earlier population of 80 and the final sample of 66 respondents.	The population was clarified as **80 employees of Numa Feeds Limited**, with **66 respondents** selected for the study.	The revised methodology now clearly states the population, sampling frame, and sample size, eliminating the inconsistency.
The sampling procedure needed clarification.	The manuscript did not adequately explain how the 66 respondents were selected.	The sampling procedure was revised to indicate that **management staff were selected purposively**, while other eligible employees were selected using **simple random sampling**.	The revised procedure reflects the different information needs of management and other employees while providing an appropriate basis for respondent selection.
Simple correlation and regression omit potentially important confounding variables.	Other factors may influence financial performance in addition to long-term borrowing.	The limitation of using simple correlation and regression was explicitly acknowledged.	The revised manuscript identifies firm size, business age, working-capital management, managerial competence and market conditions as potential explanatory variables for future studies.
The theoretical framework should be strengthened.	The original theoretical framework did not sufficiently explain the relationship between long-term borrowing and financial performance.	**Pecking Order Theory** and **Trade-Off Theory** were incorporated into the theoretical framework.	Each theory is supported by three scholarly citations and is directly linked to the financing decisions and financial performance of Numa Feeds Limited.
The study should distinguish its	The contextual contribution of the study	The empirical review was strengthened to compare	The revised literature highlights differences in geographical,

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contribution from studies conducted in Bushenyi, Masaka, Ntungamo and Kabale.	was not sufficiently clear.	previous studies with the present study.	organisational and financing contexts and positions Numa Feeds Limited as an enterprise-level case providing evidence from a relatively less-studied context.
The interpretation of R^2 = .251 needed clarification.	R^2 could be incorrectly interpreted as meaning that long-term loans “cause” or are “responsible for” 25.1% of financial performance.	The interpretation of R^2 was revised.	The manuscript now states that **25.1% represents the variation in the measured financial-performance score statistically associated with long-term borrowing in the model**, rather than 25.1% of financial performance being caused by loans.
Recommendations should be closely linked to the findings.	Some recommendations could be interpreted as assuming that increased borrowing automatically improves performance.	Recommendations were reorganised around specific findings concerning loan utilisation, principal amounts, repayment schedules and financing costs.	Management is advised to assess borrowing costs and repayment capacity, direct loans towards productive investments and align repayment schedules with cash flows.
The study has limited generalisability.	Findings from one enterprise cannot automatically be generalised to all SMEs.	The limitation was explicitly acknowledged and the future research section was strengthened.	Future researchers are encouraged to use larger samples involving several SMEs across Sheema District and southwestern Uganda.
Future studies should consider other determinants of financial performance.	The model explains only part of the variation in financial performance.	Additional variables were proposed for future research.	The revised recommendations identify financial literacy, working-capital management, managerial competence, loan-utilisation efficiency, market conditions and business risk as potential variables for future investigation.

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