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Long term Financing and Development of Small and Medium Enterprises in Uganda: A case study of MPK GRAPHICS

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Abstract

The study intended to identify how long-term financing influences development of Small and Medium enterprises (SMEs). It focused on MPK Graphics as a case study. The purpose of the study was to establish the impact of long-term financing on development of SMEs in Uganda. The research design was descriptive and the study used both quantitative and qualitative research approach. Stratified and purposive samplings were used to select respondents. The data collected was analyzed using SPSS version 22.0. Descriptive analysis was used to draw the picture of the respondents, Pearson correlation was used to test the relationship between the study variables, while regression analysis was used to test the effect between the variables of the study. Therefore, factor analysis was employed to determine long-term financing dimensions in small and medium enterprises in Uganda. The major findings of the study were that there was a positive relationship between Long term financing and Development of SMEs in Uganda (r = 0.751, P-value < 0.01); a positive relationship between financial performance and Development of SMEs in Uganda (r = 0.436, P-value < 0.01) and showed (R= 0.810) in a combination of Long term financing, financial performance in assessing the level to which they can predict the level of Development of SMEs in Uganda. These variables explained 59.7 per cent of the variance of Development of SMEs (R Square =.597). The most influential predictor of Development of SMEs was Long term financing (β = .622, Sig. 294). Long-term finance frequently defined as all funding for a time frame exceeding one year may contribute to faster growth, greater welfare, shared prosperity, and enduring stability in two important ways: by reducing rollover risks for borrowers, thereby lengthening the horizon of investments and improving performance.

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1.0 Introduction

The study aimed at analysising the impact long term financing has on the development of small and medium enterprises in Uganda. It is focused on MPK Graphics as case study. MPK Graphics was chosen to represent other SMEs in Uganda due to its development plan. MPK Graphics is a Printing Company founded in 2001 it operates in three main sectors such as Printing; Creative and Design, Publishing services and Web site designing. The unique role of SMEs has been analyzed by various previous studies in developed countries. Studies of firms in the United States highlight the importance of SMEs not only as a protagonist for creating new employment opportunities, but also as a source of innovation (Acs and Audretsch, 1991). According to Acs and Audretsch (1991), companies and small firms entered sectors as agents of change. Studies using direct measures of innovative activity. Long-term finance comprises all types of financing (including loans, bonds, leasing, and public and private equity) with a maturity exceeding one year. Maturity refers to the length of time between origination of a financial claim (loan, bond, or other financial instrument) and the final payment date, at which point the remaining principal and interest are due to be paid. Equity, which has no final repayment date of a principal, can be seen as an instrument with nonfinite maturity (World Bank Group, 2016). According to Chell and Baines (1998), financial performance of SMEs is the single most determinant factor of growth and ability to develop into fully defined shareholding firms, financial performance is most often captured by use of measurement criteria such as increased turnover or wider profit margins. Sandberg, Vinbery and Pan (2002), defined the performance of small businesses as their ability to contribute to job and wealth creation through business startup, survival and growth. Long-term finance frequently defined as all funding for a time frame exceeding one year may contribute to faster development, greater welfare, shared prosperity, and enduring stability in two important ways: by reducing rollover risks for borrowers, thereby lengthening the horizon of investments and improving performance, and by increasing the availability of long term financial instruments, thereby allowing households and firms to address their lifecycle challenges (Caprio and Demirgüc-Kunt, 1998; Demirgüç-Kunt and Maksimovic, 1998,1999; de la Torre, Ize, and Schmukler, 2012).

2.0 Literature review

The study stressed on how long-term financing can contribute positively on the development of the small and medium enterprises.The literature surveyed revealed not much scholarly works concerning the long-term financing and growth of small and medium enterprises in Uganda. Nkurunziza (2016) on *SMEs Financing in Burundi and its welfare effect*. Cross-sectional research design was used while mixed research approaches were used. Relying on cross-sectional data, there are indications that welfare could not be improved just through the provision of loans to SMEs. The results showed other channels that could include the fostering of female entrepreneurship increasing training, helping firms to grow and focusing on aid on SMEs outside the capital city where entrepreneurship suffers from the urban bias. However, this research did not address the impact of long term financing on the development of SMEs. Kira (2013) on *determinants of financing constraints in East African Countries' SMEs* (Burundi, Kenya, Rwanda, Tanzania and Uganda). This study used a sample of 1933 firms located within 5 East African countries where 242 firms from Burundi, 657 firms from Kenya, 158 firms from Rwanda, 368 firms from Tanzania, and 508 firms from Uganda declared they have financial constraint. The data were extracted from World Bank Business Enterprises. The analysis of data was multivariate regression. The study found out that financing

constraints in East African firms broadly based across firms but SMEs are mostly affected. Kira`s research was generic and did not address specific SME and particularly in Uganda. Dube (2013) on the *impact of debt financing on productivity of small and medium scale enterprises* (SMEs): A case study of SMEs in the Masvingo. The main purpose of this research was to investigate the impact of debt financing on the operations of SMEs in Masvingo. Both qualitative and quantitative research approaches were used in the study while a case study research design was used. The study used a sample of 80 SMEs. Primary data was collected by means of a survey. Secondary data from SMEs records was used in the study. The data was analyzed using SPSS 19. The results from the study showed that debt finance had a positive impact on productivity of SMEs. Among those SMEs, no one is in printing industry, in order to complete information the researcher choose a printing company, located in Kampala-Uganda. The study also established that firms which received adequate funding from banks improved their productivity. Another finding of the study was that the cost of borrowing was too high to enable firms to borrow adequate amount of required finance investment.

2.1 Theoretical review

Agency Theory

Agency theory deals with the people who own a business enterprise and all others who have interests in it, for example managers, banks, creditors, family members, and employees. The agency theory postulates that the day to day running of a business enterprise is carried out by managers as agents who have been engaged by the owners of the business as principals who are also known as shareholders. This theory has been observed to show a few short comings in that: it shows information asymmetry where agents have information on the financial circumstances and prospects of the enterprise that is not known to principals; moral hazard where agents deliberately take advantage of information asymmetry to redistribute wealth to themselves in an unseen manner which is ultimately to the detriment of principals; and adverse selection where agents misrepresent the skills or abilities they bring to an enterprise (Ang and Lin, 2000).

2.2 Long-term Financing

The limited use of long-term finance observed in developing countries is not necessarily a problem in itself. In well-functioning markets, borrowers and lenders may prefer short-term contracts over longer-term contracts for a number of reasons (Vermoesen, 2013). Depending on the kind of asset being financed, short-term finance may be preferred (Tybout, 2000). Firms and households tend to match the maturity structure of their assets and liabilities. Firms, for example, generally prefer short term loans to finance working capital, such as payroll, and inventory and use longer-term financing to acquire fixed assets, equipment, and the like (Hart and Moore, 1995). Therefore, long-term debt may also reduce incentives to invest because firm managers and owners will have to share the returns with the lender well into the future (Myers, 1977). Hence overall, short-term finance can also reduce waste and improve firm performance. Long-term finance shifts risk to the providers because they have to bear the changing conditions in financial markets, such as interest rate risk because of fluctuations in the probability of default. According to Williams (2012), repayment is the act of paying back money previously borrowed from a lender. Repayment usually takes the form of periodic payments that normally include part principal plus interest in each payment. Failure to keep up with repayments of debt can force a person to declare bankruptcy and

severely affect his credit rating (Ibon et al., 2011). SME Financial performance is most often defined into hard criteria such as increased turnover or wider profit margins and the ability to contribute to job and wealth creation through business startup, survival and growth (Sandberg et al, 2002). Financial performance can be measured using proxies like profitability, return on asset, liquidity, solvency, and sales growth and all these can be extracted from the financial statements and/or reports (Chell& Baines, 1998). Financial performance measurement generally looks at firm's financial ratios (derived from their financial statements) such as liquidity ratios, activity ratios, profitability ratios, and debt ratios. Non-financial performance measurement is more subjective and may look at customer service, employee satisfaction, perceived growth in market share, perceived change in cash flow, and sales growth (Haber and Reichel, 2005: 260). According to Crane (2010), liquidity measures the ability of the business to meet financial obligations as they come due, without disrupting the normal, on-going operations of the business. Liquidity can be analyzed both structurally and operationally. Structural liquidity refers to balance sheet measures of the relationships between assets and liabilities and operational liquidity refers to cash flow measures. A frequent cause of liquidity problems occurs when debt maturities are not matched with the rate at which the business' assets are converted to cash. Solvency measures provide an indication of the business's ability to withstand risks by providing information about the business's ability to continue operating after a major financial adversity. Unlike liquidity, solvency is concerned with long-term as well as short-term assets and liabilities. Solvency measures evaluate what would happen if all assets were sold and converted into cash and all liabilities were paid (Crane, 2010a). Finance of all the areas in the business environment, improved access to finance has clear benefits to companies of all sizes (Hallward-Driemeier&Aterido, 2007). One of the principal conclusions of modern economics is that finance is good for improving performance (Cecchetti&Kharroubi, 2012) of small and medium enterprises (SMEs) (Beck &Demirguc-Kunt, 2006; MohdShariff et al. 2010; MohdShariff&Peou, 2008). Academic and policy studies of small and medium enterprises (SMEs) resourcing typically focus on finance (Le Cornu et al. 1996; Maurel, 2008; MohdShariff et al. 2010; MohdShariff&Peou, 2008). According to Joshua and Nicolas (2006), the size of the enterprises employment is the most important criterion used in Ghana. Kayanula and Quartey (2000) define SMEs in developing countries based on the number of employees in an enterprise. A small enterprise has between 5 and 19 workers and takes the example of the universal small shops in the cities such as hair dressing saloons and chop bars. A medium enterprise has 20 to 99 workers and these include manufacturing firms and exporting companies. Financial access is critical for small and medium enterprises (SMEs) growth and development, and the availability of external finance is positively associated with productivity and growth. However, access to financial services remains a key constraint to SME growth and development, especially in emerging economies (Global Partnership for Financial Inclusion (GPFI), 2011).The idea that an economy needs intermediation to match borrowers and lenders, channeling resources to their most efficient uses, is fundamental to our thinking (Cecchetti&Kharroubi, 2012).

2.3 Long-term Financing and Development of SMEs

Long-term debt limits managerial discretion by making access to new funds and over investment less likely Hart and Moore (1995): a feature that would enhance profitability. Jaramillo and Schiantarelli (1996) argue that shorter-term loans are not conducive to greater productivity while long-term loans may lead to improvements in productivity. However, Garcia-Terul and Martinez-Solano, (2007) Short-term debt is positively correlated with firm's

growth opportunities. Short-term debt is the best financing tool because it is perceived to be cheaper. Thus, both entrepreneur and bank prefer short-term debt (Landier and Thesmar, 2009).

Research Gap

On the basis of literature above, there is an abundance of literature on the relationship between financing and development of Small and Medium enterprises. However, most of those studies done have been in various sector and the researcher didn't come across one study done on printing enterprises in Uganda or even elsewhere in Africa. There was therefore a need to conduct such studies within the Ugandan context and Africa at large, to assess the kind of relationship existing between long term financing and development of small and medium enterprises. Also, there is no statistical evidence among the relationship between those variables. So, it is the contribution of researcher's work. In conclusion, the literature review has showed that, although empirical evidence appears to be limited, the financial institutions influence the development of SMEs. However, there is high focus of financial development and firm performance studies in developed nations. But there is still a gap on what long term financing has contributed towards the development of SMES especially in the Ugandan Economy.

3.0 Research methods

3.1 Research design

This study used descriptive research design and mixed research approach. Cross-tabulation was used to analyze data and quantitative data analysis was used to describe the statistics of the scores using indices that described the current situation and investigated the associations between the study variables using information gained from the questionnaires. The study area was MPK Graphics, a printing company, located in Kampala, capital city of Uganda, Plot No. 53/55 Rosebury Road. The total study population of 54 comprised of 7 Magma staff, 2 Apex staff, and 40 MPK Graphics employees, and 5 Barclays Bank officials.

Sampling Procedure

The researcher used both probability and non-probability sampling methods so as to be exhaustive in the research findings. Purposive sampling technique was used to select the respondents from Magma, Apex and Barclays Bank. Stratified sampling was used to select employees of MPK Graphics. This is because employees of MPK Graphics were many with various education levels. The sample size was computed based on Sloven formula and this gave a practical ratio according to the population size. The study population of **54** had a sample size of **47**. This followed a confidence level of 95 per cent which gives a margin of error of 5 per cent. This was determined using Slovin's formula as shown below *Slovin Formula:*

$$n = \frac{N}{1+Ne^2}$$

$$n = \frac{54}{1+54(0.0025)}$$

n=47

Where **n**= sample size
N= Target population
e =margin of error (0.05)

A table showing sample size and their

Table 1 Sample size

Categories	Study Population	Sample Size	Percentage	Sampling techniques
MPK Graphics staff	40	35	74	Stratified sampling
Magma	7	6	13	Purposive sampling
Apex	2	2	4	Purposive sampling
Barclays Bank	5	4	9	Purposive sampling
Total	**54**	**47**	**100**	

Source: Primary data

Source of Data
The researcher gathered this data from the field through questionnaires from the various respondents selected from the managers of Magma, Apex Service, and MPK Graphics. Interview guide was used to select respondents from Barclays Bank. The researcher collected the data from printed materials such as books, reports and government journals from reliable sources which were used to further justify and confirm data that was gathered from the field.

3.2 Data Collection methods and Instruments
This study used survey and interview as data collection methods while questionnaire and interview guide served as data collection instruments. Researcher used closed questionnaire as data collection instrument to obtain information from the Magma, Apex Service Managers, and MPK Graphics staff while interview guide was used to collect data from Barclays Bank. The questionnaire was designed according to the objectives of the research. They contained close ended questions. The close ended questions were based on the 5- point Likert Scale format because this system help interlocutors to understand and the comparison of the results is made easier.

3.3 Quality Control
To ensure the validity and reliability of the instruments, the researcher engaged judgment method. After constructing the questionnaire, the researcher contacted experts in this area to go through it to ensure that the instrument was clear, relevant, specific and logically arranged. Also a pre-test was conducted in order to test and improve on the reliability and validity of the instrument. Cronbach's Alpha test was employed to measure the reliability. Content validity index (CVI) was used to establish the validity of the questionnaire. Any CVI of 0.7 and above was considered acceptable.

3.4 Measurement of the Variables
Long-term Financing was measured using the components of long-term financing (Repayment period, low payment monthly, low interest rates) model which measures using 5 Likert scale ranging from strongly disagree to strongly agree. Financial performance was measured using a 5-point Likert Scale from 1 (strongly disagree) to 5 (strongly agree) basing on the dimensions of Liquidity, solvency, sales growth that contribute to financial performance. Development of SMEs was measured using a 5-point Likert Scale from 1 (strongly disagree) to 5 (strongly agree) basing on the attributes; (Increased production, profitability, people employed) used to measure development of SMEs.

3.5 Data processing and Analysis

The data collected from the field was coded, edited and analyzed using descriptive analysis options of SPSS version (22.0). Cross tabulation was used to show the differences between beneficiaries and employees with respect to their demographic aspects. The data was then presented using Pearson's correlation to test the relationship between variables of study, regression analysis was used to test the potential predictors of the dependent variable.

Relationship between Study Variables

Spearman correlation coefficient was used to determine the degree of relationship between the study variables as shown in the table 4.6 below.

Table 4.6 Pearson's zero order correlation matrix

	1	2	3
Long term financing (1)	1.000		
Financial performance (2)	.579**	1.000	
Development of SMEs (3)	.751**	.436**	1.000

**. Correlation is significant at the .01 level (2-tailed).

Source: Primary data computed

The relationship between Long term financing and Development of SMEs in Uganda

The results in table 4.6 above indicate a positive relationship between Long term financing and Development of SMEs in Uganda ($r = 0.751$, P-value < 0.01) which implies that sustainable Long term financing leads to faster Development of SMEs in Uganda.

The relationship between financial performance and Development of SMEs in Uganda.

The results in table 4.6 above indicate a significant positive relationship between financial performance and Development of SMEs in Uganda ($r = 0.436$, P-value < 0.01) which implies that improvement in Financial performance greatly improves Development of SMEs in Uganda.

The factor structure of Long term financing and financial performance on Development of SMEs in Uganda.

Regression analysis was used to examine Long term financing and financial performance on Development of SMEs in Uganda. Results in table 4.7 above show ($R= 0.810$) in a combination of Long term financing, financial performance in assessing the level to which they can predict the level of Development of SMEs in Uganda. These variables explained 59.7 per cent of the variance of Development of SMEs (R Square =.597). The most influential predictor of Development of SMEs was Long term financing ($\beta = .622$, Sig. 294). Financial performance is less likely to influence Development of SMEs since it portrays low significance ($\beta = .489$, Sig. 255) in the model.

A unit change in Long term financing will contribute to a change in the Development of SMEs in Uganda by (.622) while a one unit change in financial performance will contribute to a change in the Development of SMEs in Uganda by (.489).

Table 4.7 regression model for Long term financing and financial performance on Development of SMEs.

Model	Unstandardized coefficients		Standardized coefficients		
	B	Std. Error	Beta	T	Sig
Constant	1.000	0.440		1.658	0.331
Long term financing	0.660	0.368	0.622	.941	0.294
Financial performance	0.520	0.299	0.489	.781	0.255
R (0.810), R-Square (0.597), Adjusted R-Square (0.482), F (5.430), Sig. (1.825)					

Source: primary data

The factor loadings of Long term financing, financial performance and Development of SMEs in Uganda.

Table 4.8: Factor Analysis of Long term financing

Variables	Repayment	Low payment monthly	Low interest rates
The enterprise has access to financial resources from banks needed for developing its business with a payback period of six years.	**.899**		
The enterprise has applied for a long-term loan to finance its activities	**.874**		
The most recent loan received from banks was long-term	**.844**		
The loan received was paying back in small installment		**.827**	
The money paid back monthly by the enterprise is low		**.794**	
The monthly payment has an impact on your enterprise's needs for long-term financing		**.784**	
Interest rate in short time period is low than one of long-term period			**.788**
The level of interest rates has a negative impact on the profitability			**.726**
The interest rate is low in Uganda comparatively to other East Africa Countries			**.690**
Eigen Value	**2.443**	**.784**	**.546**
Variance %	**41.070**	**24.603**	**18.652**
Cumulative	**41.070**	**65.673**	**84.325**

Source: Primary data computed

The result in table 4.8 shows the factor analysis results of Long term financing, three factors were extracted, component one (Repayment) explained 41.1 per cent, followed by Low payment monthly with 24.6 per cent and the last was Low interest rates with 18.6 per cent. The factor analysis results of Long term financing under Repayment attribute were explained that; the enterprise has access to financial resources from banks needed for developing its business with a payback period of six years 90 per cent, the enterprise has applied for a long-term loan to finance its activities 87 per cent and that the most recent loan received from banks was long-term 84 per cent. Under Low payment monthly attribute, they were explained that; the loan received was paying back in small installment 83 per cent, the money paid back monthly by the enterprise is low 79 per cent and that the monthly payment has an impact on your enterprise's needs for long-term financing 78 per cent. Lastly under Low interest rates attribute, the results were explained that; Interest rate in short time period is low than one of long-term period 84 per cent, the level of interest rates has a negative impact on the profitability 73 per cent and that the interest rate is low in Uganda comparatively to other East Africa Countries 69 per cent.

Factor Analysis of Financial performance

Table 4.9: Factor Analysis of Financial performance

Variables	**Liquidity**	**Solvency**	**Sales growth**
The enterprise is able to pay short term debts when they are due	**.843**		
The business has the ability to meet financial obligations without disrupting the normal operations of the business	**.813**		
An asset can be quickly bought or sold in the market without affecting the asset's price	**.790**		
The amount of borrowed capital is higher than the amount of owner's equity capital invested in the business.		**.800**	
The company has the ability to repay all indebtedness if all the assets are sold		**.781**	
The amount of borrowed capital is low comparatively to the capital already invested by the owner of the enterprise.		**.754**	
The enterprise always increase the daily sales			**.774**
The number of customers/clients the enterprise serves has increased			**.739**
The enterprise has generated high sales revenue over the last three years			**.702**
Eigen Value	**1.942**	**1.441**	**1.076**
Variance %	**48.552**	**23.111**	**21.906**
Cumulative	**48.552**	**71.664**	**93.570**

Source: Primary data computed

The results in table 4.9 above show the factor analysis results of financial performance variables, three factors were extracted, component one (Liquidity) explained 48.6 per cent, followed by Solvency with 23.1 per cent the last Sales growth with 21.9 per cent of the variance of Financial performance. The factor analysis results of financial performance under Liquidity attribute were explained that; the enterprise is able to pay short term debts when they are due 84 per cent, the business has the ability to meet financial obligations without disrupting the normal operations of the business 81 per cent and that an asset can be quickly bought or sold in the market without affecting the asset's price 79 per cent.

Table 4.10: Factor Analysis of Development of SMEs

Variables	**Increased Production**	**Profitability**	**Job creation**
The business is able to produce according to the market demand	**.913**		
The enterprise is able to produce goods/services which have value and contribute to the utility of consumers.	**.884**		
The business has the ability to respond to and accommodate poor manufacturing performance	**.851**		
The profit margins have increased in the last two years		**.892**	
I am always paid in time as a result of availability of profit		**.859**	
The enterprise is introducing new product using the profit gained from its investments		**.818**	
There is high employment in the enterprise			**.839**
The enterprise is using only full time basis employees			**.807**
There is a fair reward system in the enterprise			**.788**
Eigen Value	**2.694**	**1.704**	**1.528**
Variance %	**37.351**	**29.309**	**18.207**
Cumulative	**37.351**	**66.660**	**84.867**

Source: Primary data computed

The results in table 4.10 above show the factor analysis results of Development of SMEs variables, three were extracted, component one (Increased Production) explained 37.4 per cent, followed by Profitability with 29.3 per cent, and the last was Job creation with 18.2 per cent of the variance of Development of SMEs. The factor analysis results of Development of SMEs under Increased Production attribute were explained that; the business is able to produce according to the market demand 91 per cent, the enterprise is able to produce goods/services which have value and contribute to the utility of consumers 88 per cent and

that the business has the ability to respond to and accommodate poor manufacturing performance 85 per cent.

Analysis of Variance

Table 4.11: ANOVA of Long term financing

Long term financing		Sum of Squares	Df	Mean Square	F	Sig.
Gender	Between Groups	1711.600	3	570.533	.715	.538
	Within Groups	3742.000	6	623.667		
	Total	5453.600	9			
Age Group	Between Groups	2811.100	3	937.033	3.371	.356
	Within Groups	1574.500	6	262.417		
	Total	4385.600	9			
Marital Status	Between Groups	319.933	3	106.644	.377	.438
	Within Groups	3623.667	6	603.944		
	Total	3943.600	9			
Level of Education	Between Groups	2518.267	3	839.422	5.111	.331
	Within Groups	837.833	6	139.639		
	Total	3356.100	9			
Experience	Between Groups	3293.067	3	1097.689	5.428	.558
	Within Groups	1487.333	6	247.889		
	Total	4780.400	9			

Source: Primary data computed

The result in table 4.11above indicates a statistically significant difference between gender groups and how long term financing would influence Development of SMEs with result (.538). It also indicates a statistically significant difference between Age Group levels of the respondents and how long term financing strategies would influence Development of SMEs with result of (.356).It also shows a statistically significant difference between marital status levels of the respondents and how financial performance would influence Development of SMEs with result of (.438). In addition, the results show that Level of education of the respondents with a statistical significant difference of (.331) and lastly, the Years spent (Experience) intervals had a statistical significant difference with values (.558). The result in table 4.12 above indicates a statistically significant difference between gender groups and how financial performance would influence Development of SMEs with result (.446). It also indicates a statistically significant difference between Age Group levels of the respondents and how financial performance would influence Development of SMEs with result of (.436). It also shows a statistically significant difference between marital status levels of the respondents and how financial performance would influence Development of SMEs with result of (.285). In addition, the results show that Level of education of the respondents with a

statistically significant difference of (.432) and lastly, the Years spent (Experience) intervals had a statistically significant difference with values (.480).

ANOVA for Development of SMEs

Table 4.13: Showing the ANOVA for Development of SMEs

Development of SMEs		Sum of Squares	Df	Mean Square	F	Sig.
Gender	Between Groups	5391.233	4	1347.808	17.773	.334
	Within Groups	379.167	5	75.833		
	Total	5770.400	9			
Age Group	Between Groups	6195.733	4	1548.933	611.421	.350
	Within Groups	12.667	5	2.533		
	Total	6208.400	9			
Marital Status	Between Groups	3671.333	4	917.833	2.766	.482
	Within Groups	1157.167	5	231.433		
	Total	4828.500	9			
Level Of Education	Between Groups	5846.933	4	1461.733	7.414	.324
	Within Groups	972.667	5	194.533		
	Total	6819.600	9			
Experience	Between Groups	3865.333	4	966.333	2.746	.458
	Within Groups	2616.667	5	523.333		
	Total	6482.000	9			

Source: Primary data computed

The result in table 4.13 above indicates a statistically significant difference between gender groups and how likely variations would influence Development of SMEs with result (.334). It also indicates a statistically significant difference between Age Group levels of the respondents and how likely changes would influence Development of SMEs with result of (.350). It also shows a statistically significant difference between marital status levels of the respondents and how likely variation would influence Development of SMEs with result of (.482). In addition, the results show that Level of education of the respondents with a statistical significant difference of (.324) and lastly, the Years spent (Experience) intervals had a statistical significant difference with values (.458).

4.0 Discussion

4.1 Discussion of the findings

The relationship between Long term financing and Development of SMEs in Uganda

The results indicated a positive relationship between Long term financing and Development of SMEs in Uganda ($r = 0.751$, P-value < 0.01) which implies that sustainable Long term

financing leads to faster Development of SMEs in Uganda. The results are in line with Vermoesen (2013) who opinioned that in well-functioning markets, borrowers and lenders may prefer short-term contracts over longer-term contracts for a number of reasons.

The relationship between financial performance and Development of SMEs in Uganda

The results indicated a significant positive relationship between financial performance and Development of SMEs in Uganda ($r = 0.436$, P-value < 0.01) which implies that improvement in Financial performance greatly improves Development of SMEs in Uganda.

The results are supported by Cecchetti&Kharroubi, 2012 who reasoned that finance is good for improving performance of small and medium enterprises (SMEs). This stance was re-echoed by Beck & Demirguc-Kunt, (2006); MohdShariff et al. (2010); MohdShariff&Peou, (2008).Academic and policy studies of small and medium enterprises (SMEs) resourcing typically focus on finance (LeCornu et al. 1996; Maurel, 2008; MohdShariff et al. 2010; MohdShariff&Peou, 2008).

4.2 The regression analysis of Long term financing and financial performance on Development of SMEs in Uganda

Results indicated ($R= 0.810$) in a combination of Long term financing, financial performance in assessing the level to which they can predict the level of Development of SMEs in Uganda. These variables explained 59.7 per cent of the variance of Development of SMEs (R Square =.597). The most influential predictor of Development of SMEs was Long term financing (β = .622, Sig. 294). Financial performance is less likely to influence Development of SMEs since it portrays low significance (β = .489, Sig. 255) in the model. The results are in line with Garcia-Terul and Martinez-Solano, (2007) who asserted that long-term debt is positively correlated with firm's growth opportunities. The lack of financial resources can constitute a serious obstacle to SMEs development (Maurel, 2008). The lack of equity capital invested in SMEs makes these businesses more reliant on other sources such as bank lending and other types of financial products (Beck & Demirguc-Kunt, 2006; MohdShariff et al. 2010; MohdShariff & Peou, 2008).

5.0 Conclusion

The study established that in general terms, Long term financing and financial performance play a key role in improving Development of SMEs in Uganda. This trend shows that there is actually a need for improvement in Long term financing especially in boosting capital levels as well as strategizing for better financial performance as this will ultimately lead to faster Development of SMEs. The challenge however, is that financial performance elements havenot been given a priority yet they greatly determine the rate of development of SMEs. Therefore, SMEs in Uganda ought to set and implement clear and effective financial performance mechanisms targeting liquidity assessment, approaches to better manage solvency as well as strategies to solve sales-growth related challenges. SME management should ensure that Long term financing goals are drawn in line with the financial performance motives of their respective SMEs because boosting one without the other would still be a complete waste of time.

5.1 Areas for further future Research

The study was carried out in the private sector. However it recommends for further research in the public sector. In view of the respondents, the low level of development amongst SMEs in Uganda is partly attributed to unrealistic credit policies right from the Central bank which

slows the SME financing procedure in commercial banks. The scenario is an economic challenge that calls for further research on credit allocation, SME monitoring and their effect on the development of Uganda as a country.

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Generally, SMEs are defined by the number of workers employed, value of assets and sales turnover (Garikai, 2011).

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