



---

---

**EFFECTS OF MONEY SUPPLY, FOREIGN DIRECT INVESTMENT, EDUCATION  
AND EXCHANGE RATES ON THE GDP GROWTH FOR UGANDA (1990-2018).**

**KANGU FRED**

**REG. NO BU/UP/2017/1299**

**A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF ECONOMICS  
AND ENTREPRENEURSHIP BUSITEMA UNIVERSITY IN PARTIAL FULFILLMENT  
OF THE REQUIREMENT FOR THE AWARD OF DEGREE IN EDUCATION,  
BUSITEMA UNIVERSITY.**

## DECLARATION

I, Kangu Fred, declare and conform that this research project is my original work has never been presented to any institution of higher learning for any award

Kangu Fred

Sign..... date.....

## APPROVAL

## **DEDICATION**

This report is dedicated to my beloved Uncle Mr Mangaga Robert, my pastor Apostle Geoffrey Okeny, my counselor Mrs Mangaga Daphine. , my lecturer Dr Racheal Namulondo, my cousin brothers and sisters, and all my inspirational friends especially Justine Nambuya plus my course mates.

## **ACKNOWLEDGEMENT**

I wish to thank the management of Busitema University for giving me a chance to pursue my studies in the institution.

I wish to thank and acknowledge all the individuals who supported and assisted me in various ways towards completion of this research work especially Uncle Robert Mangaga and Justine Nambuya.

My great appreciation goes also to my supervisor Dr Rachael Namulondo for professional guidance; availability and timely editing of my work which will enable me complete my work in time.

## **Table of Contents**

CHAPTER ONE: .....	1
INTRODUCTION .....	1
1.1 Background .....	1
1.2 Problem Statement .....	6
1.3 Objectives of the Study .....	6
1.4 Study Hypothesis .....	6
1.6 Scope of the Study .....	7
1.7 Significance of the Study .....	7
CHAPTER TWO: .....	8
LITERATURE REVIEW .....	8
2.0 Theoretical Framework .....	8
2.2 Empirical Literature Review .....	10
2.3 Summary of the Literature .....	13
CHAPTER THREE: .....	14
METHODOLOGY .....	14
3.1 Functional Form of the Model .....	14
3.2 Empirical Form of the Model.....	14
3.3 Data and Source .....	15
3.4 Empirical Testing Procedures .....	15
3.5 Diagnostic Tests to Check Suitability of the Model .....	16
3.6 Bounds Test for Long Run Relationship.....	17
3.6 Lag Selection .....	18
3.7 Tests for Suitability of the Data .....	18
CHAPTER FOUR.....	19
DATA PRESENTATION AND ANALYSIS .....	19
4.1 Descriptive Statistics.....	20
4.2 Presentation of Results.....	24
4.2.1 Correlation Matrix.....	24

Diagnostic tests .....	25
4.2.2 Ramsey Reset Test.....	25
4.3 Discussion of Results.....	25
4.3.1 Economic Growth Dynamics .....	25
4.3.2 Effects of money supply on Economic Growth .....	25
4.3.3 Impact of FDI on Uganda's Economic Growth .....	25
4.3.4 Impact of education on Economic Growth .....	26
4.3.5 Effect of exchange rate on Economic Growth .....	26
CHAPTER FIVE: .....	27
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....	27
5.1 Summary .....	27
5.2 Conclusions.....	27
5.3 Recommendations.....	28
5.4 Areas for Further Study .....	29

## LIST OF FIGURES

Figure 1 RGDP Growth Rate in Uganda .....	1
Figure 2Trend for Money Supply in Uganda.....	2
Figure 3Trend for Foreign direct investment inflows (FDI) in Uganda .....	3

## ABBREVIATIONS

GOU Government of Uganda

WB World Bank

AFDB African Development Bank

RGDP Real Gross Domestic Product

ARDL Auto Regressive Distributed Lag

GARCH Generalized Auto Regressive Distributed Lag

UBOS Uganda Bureau of Statistics

IMF International Monetary Fund

FDI Foreign Direct Investment Inflows

UIA Uganda Investment Authority

EGARCH Exponential Generalized Auto Regressive Distributed Lag

GOVEXP Government Expenditure

MS Money Supply