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**ISTANBUL COMMERCE UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCE**

MA THESIS

IMPACT OF FOREIGN AID ON UGANDA'S ECONOMIC GROWTH

MOHAMED HUSSEIN ABDI

(200014902)

Istanbul, 2022

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SUPERVISOR BY:

PROF. DR. AYDIN ÇELEN

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ÖZET

Çalışma, dış yardımın ve Uganda'nın ekonomik büyümesinin etkisini inceler, ayrıca doğrudan yabancı yatırımın (DYY), ithalat ve ihracatın etkilerinin yanı sıra enflasyonun etkisinin de çalışma analizi, çalışma belirli hedefler olarak kullanılır. Bu bileşenlerin bir ülkenin ekonomisini nasıl etkilediğini anlamak. Çalışmada hatasız, güvenilir ve yanlı olmadığı için kelime bankasından elde edilen ikinci veriler kullanılmıştır, ayrıca bu çalışmanın verileri 1989 ile 2019 yılları arasındaki bir zaman serisidir. -koşmak ve uzun vadede.

Otoregresif Dağıtılmış Gecikme (ARDL yöntemi, eşbütünleşme testi ve ayrıca granger nedensellik testi ve birim kök) değişkenleri arasındaki ilişki düzeyini belirlemek için yapılmıştır.

Araştırmanın bulgularına göre dış yardımların Uganda ekonomisine hem kısa hem de uzun vadede olumlu etkisi var. Doğru ellerde, dış yardım, doğru bir şekilde ele alınırsa ve kötüye kullanılmazsa, alıcı ülkedeki ekonomik büyümeyi iyileştirmeye ve yoksulluğu azaltmaya gerçekten yardımcı olabilir. Araştırmanın sonuçlarına göre, ithalatın Uganda ekonomisi üzerinde hem kısa hem de uzun vadede olumlu bir etkisi var. çünkü önemli ölçüde ithalata bağımlı bir ülke olan Uganda, daha önceki yıllarda egemen olan gıda ve ilaç gibi doğrudan tüketim malzemelerinden daha fazla makine ve teçhizat gibi sermaye kalemleri ithal ediyor. DYY'nin Uganda'nın kısa ve uzun vadeli ekonomik gelişimi ile negatif bir ilişkisi olduğu gösterilmiştir; ancak, sonuçlar istatistiksel olarak doğrulanmadı.

Sonuçlar, enflasyonun ekonomi üzerinde zararlı bir etkisi olduğunu ortaya koydu. Bu, bu ürünlere olan talebe göre mal arzındaki bir artıştan kaynaklanabilir veya paranın satın alma gücündeki bir artıştan kaynaklanabilir. Bu, daha önce mümkün olandan aynı miktarda parayla daha fazla şey ve hizmet edinmeyi mümkün kılar. Sonuçlar, ihracatın ekonomi için zararlı olduğunu göstermektedir; negatif net ihracat, ülkenin bir ticaret dengesizliği yaşadığını ima eder. Sonuç olarak, bir ülkenin net ihracatı, ülkenin genel ticaret dengesine dahil edilir. Olumsuz sonuçlardan kaçınmak için Uganda ticaret dengesini iyileştirmelidir. Bunun nedeni, artan ihracatın, tümü ekonomik kalkınmaya katkıda bulunan artan yatırım, teknolojik gelişme ve ithalat büyümesi ile sonuçlanmasıdır.

Anahtar Kelimeler: Dış Yardım, İthalat, İhracat, Doğrudan Yabancı Yatırım, Enflasyon, Ekonomik büyüme

ABSTRACT

The study examines the influence of foreign aid and Uganda's economy growth, also study analysis the effects of foreign Direct investment (FDI), imports and exports as well as the effect of inflation, study used as specific objectives. To understand how these components, effect the economics of a country. The study used second data from word bank, because it's free from error, reliable and bias, also the data of this study is a time series between 1989 and 2019. the study used ARDL model to analysis the effects between the variables in terms of short-run and long-run.

This study uses ARDL, a cointegration test, granger causality test, and the unit root to measure the level of correlation between each of its component variables.

According to the findings of the study, foreign aid has a positive influence on Uganda's economy in both the short and long terms. In the right hands, foreign aid may really help to improve economic growth and reduce poverty in the receiving country if it is handled correctly and not misused. According to the conclusions of the research, imports have a positive influence on the economy of Uganda in both the short and long term. because Uganda, a country that significantly depends on imports, is now importing more capital items such as machinery and equipment than direct consumables like as food and medicine, which dominated in earlier decades. It has been shown that FDI has a negative relationship with Uganda's short- and long-term economic development; however, the conclusions were not statistically validated.

The results revealed that inflation had a detrimental influence on the economy. This might be due to an increase in the supply of goods relative to the demand for those items, or it could be due to a rise in the buying power of money. This makes it feasible to acquire more things and services with the same amount of money than was previously possible. The results indicate that exports are detrimental to the economy; negatively net exports imply that the nation is experiencing a trade imbalance. As a result, the net exports of a nation are included in the country's overall balance of trade. To avoid negative outcomes, Uganda must improve its trade balance. This is because increased exports result in increased investment, technological improvement, and import growth, all of which contribute to economic development.

Keywords: Foreign Aid, Imports, Exports, Foreign Direct investment, Inflation, Economic growth

DECLARATION

I certify that this graduation thesis is the result of my own initiative and effort and has not been nominated for any reward. All other sources of information have been credited.

Name: MOHAMED HUSSEIN ABDI

Signature: _____

Date: 20/03/ 2022



ACKNOWLEDGMENT

To begin, I want to express my gratitude to Allah for guiding me through each tough scenario I encountered while doing my study and for allowing me to complete it successfully. My thanks also go to PROF. DR. AYDIN ÇELEN, my professor and academic adviser, who has assisted me in overcoming every writing challenge I've encountered. I'm certain that none of this would have been possible without him, and I owe him a tremendous debt of gratitude for that.

I'd want to express my gratitude to my supportive parents for their financial assistance as well as their skills as professional counselors. Finally, I'd want to express my gratitude for all I've learnt at the University of Istanbul's business department, particularly in the school of economics and from its outstanding professors. Although I have forgotten what happened, the memories will remain in my mind and heart for a long time to come.

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1. INTRODUCTION

In many African countries, the relationship between aid and fiscal policy has been looked at. The study examines how foreign aid affects the economy of Uganda and society. Uganda has a long history of depending on foreign aid to mitigate the negative consequences of a lack of tax collection, resulting in a significant reliance on external aid. There could be a lot more growth and help for critical shortages in the target country with the help of foreign donors, to be effective, foreign aid must be understood in terms of how governments spend their money. Incentives and situations change when people help the government do what it needs to do. This has an effect on how much the government spends and borrows, as well as how much money it has. (Ngang, J. B. 2008). Because of the assistance that will be provided, people are likely to spend more money and pay more taxes.

Approximately one-third of Uganda's long-term budget structure is depending on foreign aid. As a consequence of international assistance, Uganda's tax collection and government spending have both grown. It has also been shown that development aid has resulted in a reduction in Uganda's domestic borrowing.

In the world, Uganda is one of the poorest places. In the two-year period between 2018 and 2020, United States aid to Uganda climbed by 4 percent, followed by a 1 percent decline between 2019 and 2020, with the greatest growth being in the first year of the two-year period between 2018 and 2020. It was announced by the European Commission that the amount of money spent on the second most significant guidance stream in 2020 would have increased by 20% from 2015. (Owino, E. 2021).

Foreign aid is an important source of funding for development programs in underdeveloped countries. This is not an issue exclusive to Uganda. Aid is defined as economic assistance provided by one country to another in order to assist in times of crisis, stimulate economic development, or cover military costs (Black, 1997). Money gifts, which may be linked to a particular purchase from the sender or may be untied and used elsewhere, are a typical kind of assistance. Additionally, food, commodities, projects, or technical assistance may be utilized to assist individuals in need.

In contrast to multilateral assistance, which is channeled through an international organization, bilateral assistance is delivered directly by a donor to a recipient country.

1.1 Background of The Study

In order to be effective, aid must be managed by a government institution, such as state and municipal governments or their executive agencies, and each transaction must be completed with the goal of promoting economic development and welfare in developing countries as a result of the assistance provided. Foreign aid may involve humanitarian support in the event of a natural disaster, as well as military assistance, which may include the transfer of weaponry (Cleveland, 1957). The results of this research are indicative of the subordinate elements of foreign aid targeted at boosting economic development in developing countries. Some critics of development funding believe it is a hopelessly unsuccessful method of reducing poverty on a global scale. Foreign aid has a significant positive impact on developing countries.

In recent years, there has been considerable debate on the effectiveness of foreign aid in encouraging economic development. Chenery and Strout (1966) were among the first to consider foreign aid as a means of alleviating either the domestic saving constraint or the foreign exchange constraint, depending on which was relevant. They argue that foreign aid increases the economy's ability to invest and make profits by boosting the availability of resources in the country.

Foreign Direct Investment occurs when a company from another country buys and control of a company in another country. (Dunning, J. H. 1994). It differs from a foreign investment that is part of a portfolio since it is under direct supervision. The economy of a nation obtains new technology and know-how, develops human resources, connects to global markets, and boosts its competitiveness as a result of foreign direct investment.

inflation is an increase in the overall price level of products and services over time, according to Mishkin (2001). As prices grow, consumers may be able to buy fewer goods and services with the same amount of money. Because money's significance as an efficient circulating mechanism of trade and a unit of measurement in the economy is diminished by inflation, its purchasing power is likewise diminished. Over time, a price index, such as the

Consumer Price Index, provides a reliable indication of price changes within a certain time period. Inflation's effects on an economy may be both beneficial and destructive. Nell's (2000).

An import is anything that people in a country purchase from another country rather than buying something that is manufactured in that country. As a result of the obligation to compensate foreign suppliers, imports are a drain on the country's financial resources. In light of the fact that the vast majority of import expenditures serve to reduce national income resources, it is often assumed that imports have a negative relationship with economic development. The majority of economists now believe that importing goods from other nations increases the country's GDP since it enables it to get goods that they would otherwise be unable to generate on their own due to a lack of technology and other resources such as human capital or skills, among other things. Capital and technology exchanges between countries are significantly reliant on imports since foreign technological knowledge has the power to increase domestic production levels by a significant margin. Imports also make it possible for citizens of one country to conduct economic transactions with residents of other nations (Grossman & Helpman, 1991; Ram, 1990).

Exports are products and services that are produced in one country but are sent outside to be sold to a global market. As a result of selling local products and services to international purchasers, exports bring in money for the seller's country. All of these phrases are used to describe the strategies of nations that have been successful in increasing their export markets: "export-led growth," "outward-oriented," "export promotion," and "export substitution." Increasing national production and lowering local prices are the primary motivations for many nations, especially LDCs, to pursue an export-oriented strategy. Exported products and services help the economy employ its resources to create more goods and services, and the excess may be sold abroad to fulfill international demand and generate foreign currency money that can be used to support economic growth (Krueger, 1985; Lal, 1992).

According to Nell, (2000), the most important metric of an economy's success is the rate of its growth . As a country's economy grows in size, the number of goods and services it produces increases as well. An indicator of economic growth is the annual growth rate of the Gross Domestic Product (GDP). According to McConnell (2000), increased economic production is the outcome of an economy's capacity to create more items and services at a greater value than it was able to

before. It is sometimes referred to as GDP growth since it is expressed as a percentage of GDP growth. When assessing growth, it is common practice to adjust the price of goods and services produced for inflation.

1.2 Problem Statement

Globally, the gap between affluent and poor is widening. This is also seen on a lesser scale across the neighborhood. Homeless people and those who possess mansions may coexist in the same neighborhood. On a global scale, the same remains true, since there are both prosperous and developing countries. Because aid donors often impose constraints on fiscal behavior, foreign aid has not been used to restore fiscal balance in the past. As a result, efforts to increase tax collecting have been stepped up (which were already very low). Furthermore, Uganda was the first aid recipient country to commission an impartial study of how foreign assistance had contributed to the country's economic accomplishments, notably the reduction of poverty. Because so much foreign aid is misappropriated by unscrupulous politicians, it never reaches the intended beneficiaries and is instead squandered by the ruling and political elites. Foreign aid may be able to assist governments in strengthening democratic and rule of law institutions in their countries if the proper personnel and mechanisms are in place. It may be difficult for a poor nation to repay the assistance that it has received in the past. Aid is provided to individuals in the aftermath of a disaster to assist them in rebuilding their lives and their houses. It is conceivable that help will not reach the people in Uganda who are in most need of it. It is conceivable that relief will not reach those who are most in desperate need of it. Local politicians that are corrupt may take advantage of public support, either for their own personal gain or for the benefit of their people. Because of the country's scarcity of resources and money, larger families are more likely to live below the poverty line than smaller ones. Poor health also has a negative impact on a family's capacity to work, which may lead to a generational cycle of poverty.

People in Uganda gain from international aid in part because it allows them to have more control over their own destiny. When citizens have better access to healthcare and better living conditions, they have more power and strength in their communities. Uganda's economic success has resulted in a significant reduction in poverty during the previous two decades, despite the fact that the country has also been one of the world's top recipients of international aid. It is as a

consequence of this that the influence of foreign aid on Uganda's economic growth will be objectively investigated in this research.

- What role does foreign aid have in Uganda's economic growth?
- Is there a relationship between FDI and economic growth in Uganda?
- In what ways does inflation affect Uganda's economic growth?
- When it comes to economic growth in Uganda, how do exports and imports influence the situation?

1.3 Objectives of the Study

The major goal of the study is to evaluate the impact of foreign aid on economic growth in Uganda from 1989 to 2019. The research will cover the period 1989 to 2019. The following are the study's particular objectives:

- To determine the effect of foreign aid on Uganda's economic growth.
- To examine the link between FDI and Uganda's economic growth.
- To understand the effect of inflation in economic growth of Uganda.
- To examine the effects of exports and imports on economic growth in Uganda.

1.4 Significance of the Study

Following the study's conclusion, it will be possible to have a better understanding of the impact of foreign aid on Uganda's economic growth. A study's results, given the lack of consensus on the connection between foreign aid and Uganda's economic success, should shed light on whether or not there is a relationship, and whether or not it is a condition that is unique to each occurrence. A strong likelihood exists that this will be of assistance to the government in its planning efforts.

1.5 Scope of the Study

The study's focus is limited to the impact of foreign aid on Uganda's economic growth. Data will be gathered from 1989 to 2019. The timeframe was chosen due to the availability and completeness of data for Uganda. This research focuses on Uganda.

2. LITERATURE REVIEW

This section of the research will look at major themes such as foreign assistance, inflation, and foreign direct investment (FDI), as well as the connections between them and the controversies that have surrounded them in previous studies. This section will go through how economic growth theories function, as well as the economic effects of imports and exports has been conducted.

2.1 Foreign Inflows and Growth

The neoclassical and "endogenous growth models," which both highlight the need of money invested and technological innovation for economic development, give theoretical justification for both the inflow of money from outside and the growth that follows as a consequence of this infusion (Ehigiamusoe and Lean, 2019). Researchers Chenery and Strout (1966) produced the ground-breaking study on how FDI inflows impact the growth of developing countries' economy. Two unique eras of economic development were investigated: one before to the target growth and one after the target growth, both of which were times in which foreign inflows may have an influence on economic growth via a variety of methods. The lack of cash accessible to developing countries makes it difficult to engage in growth-enhancing activities such as producing items or providing services for both the local and international markets. This has a significant negative impact on one's long-term employment chances. According to Mowlaei (2018), the transfer of technology and the increase of foreign reserves in developing countries are two factors that contribute to economic success in these countries. According to this remark, foreign investment plays a significant role in the economic development of developing countries.

Foreign inflows may be classified into a variety of categories, including debt, aid, FDI, and remittance inflows. The economic growth of the host countries may be adversely impacted in a number of ways as a result of the diverse nature of the influxes. Various types of inflows have been proposed as explanations for the discrepancy in economic progress seen among countries during the previous few decades. The authors (Yiew and Lau, 2018) emphasized the considerable impact of aid inflows to remittances, while (Meyer and Shera, 2017) emphasized the importance of remittances from an economic aspect. Although Bermejo Carbonell and Werner (2018) explored the impact of foreign direct investment on host country development, Kharusi and Ada (2018)

investigated the impact of foreign direct investment on host country development in their different studies.

Classical economic theory holds that FDI boosts economic development by increasing the quantity of money accessible to the average citizen. Capital's long-term impact on the economy is modest since returns on capital have declined over time. There are several conditions that must be met before nations may reap long-term benefits from foreign direct investment (FDI), according to Bengos and Sanchez-Robles (2003). These include a high level of human capital and economic stability, as well as a free market economy.

2.2 Foreign Aid

There aren't enough physical resources in emerging markets, which has a detrimental influence on their ability to grow economically. As a result, developing nations must continually search for new sources of capital inflows from wealthier countries in order to grow their economy and break the cycle of poverty. (Ehigiamusoe and Lean, 2019) A continuous stream of foreign money is required to keep emerging countries' economies running smoothly since their domestic savings cannot keep up with rising investment. Tahir et al. (2019).

African countries rely heavily on foreign aid, which provides for an average of 12.5% of GDP and is the most important source of outside money for developing countries (Pallage and Robe, 2001). Aid from outside may thus play a significant role in aiding disadvantaged countries to boost their economic growth.

Griffin and Enos (1970) say that foreign aid does not help to grow the economy or build democratic political systems in poor countries. Another possibility is that foreign aid could hurt economic growth by making people less likely to save. Bivariate regression models using data from 32 LDCs show that when a country gets more money from other countries, its domestic saving rate goes down.

According to Papanek, (1973), when a country's internal saving rate is low, it is more probable for that country to accept foreign aid. As a result, the chain of causality should begin with the overall status of the economy, which is an indication of domestic savings, and end with the influx of foreign aid. Bowels (1987) conducts study using annual data from 1960 to 1981 for 20

LDCs, but his results are equivocal since the nature and direction of causation varies among the countries studied. The findings from half of the countries analyzed did not suggest a direct relationship between savings and assistance.

Foreign aid and economic growth have been studied by some academics using a regression model that directly relates GNP to foreign aid. As an example, Papanek (1973) found a favorable correlation between foreign assistance and economic development, whereas Vivodas (1973) found a negative correlation. They found a negative and substantial connection between the two variables between 1960 and 1970 but a negative but negligible connection between 1970 and 1980 and 1980 to 1983 using aggregate cross-sectional data (Mosely, et al. 1987.) Foreign assistance has been shown to be favorably and substantially linked to economic development in all countries except Kenya and Nepal more recently (Dhakai, et al., 1996), which conducted a causality test for four Asian and four African nations.

Boone (1996) concluded that aid had no effect on economic growth rates in the typical poor nation, however Burnside and Dollar (2000) found that aid has a positive effect on economic development in impoverished countries that have robust financial rules in place. According to Boone (1996), aid does not result in higher economic development rates in the typical impoverished countries he studied. According to Boone (1996), aid is regarded to be wasted in nations with significant distortions, while it is claimed to be successful in other economies. Depending on the circumstances, government support used to promote capital investment rather than consumption may have a positive or negative influence on economic growth.

2.3 Foreign investment and economic growth

Foreign direct investment has the potential to diffuse knowledge and technology, raise overall productivity, boost competitiveness and entrepreneurship, and eventually reduce poverty via economic development and prosperity. The alleged advantages of FDI have motivated governments, especially in developing nations, to compete to attract FDI using a multitude of techniques, including tax cuts and subsidies. Investment in several nations throughout the world expanded significantly during the 1990s, as a result of foreign direct investment (FDI). FDI in Africa has grown from roughly 3 billion USD in 1990 to 46 billion USD now. (UNCTAD 2019).

For developing nations, FDI inflows are critical to economic progress. As a result, throughout the past two decades, researchers have conducted extensive research on the link between FDI and economic development. According to the most current findings of Tahir et al. (2019), inbound FDI is associated with increased economic growth. Export-led development depends heavily on foreign direct investment (FDI), which makes technology transfer easier while also allowing workers to improve their own technical abilities.

There are several reasons why Sub-Saharan Africa as a region currently relies so heavily on FDI, some of which Asiedu (2001). The popularity of FDI may be attributed to many well-documented benefits (Obwona, 2004). Improved business climates in African nations are being pursued as a means of attracting FDI.

African governments' efforts to attract FDI seem to have been in unsuccessful. Although the region is in desperate need of FDI, investors have yet to be convinced. Unfortunately, as a consequence of this alarming trend, the prospects for economic development and progress in these countries are bleak, to say the least. Even more concerning, the structure of FDI that does exist is disproportionately weighted toward extractive industries, which has been cited as a reason why sub-Saharan African countries get more FDI than other parts of the globe (Morriset 2000; Asiedu, 2001).

In particular, it has been suggested that the many externalities of technology transfer, human capital development, and economic openness to foreign forces have all contributed to the transformation of the old image. (Bende-Nabende and Ford 1998). Increased efforts to attract more FDI are driven by the notion that FDI may provide a number of good outcomes. A few examples of the benefits that can be gained from international collaborations include technology transfers, innovative processes, management skills and know-how, employee training, global production networks, and access to new markets. International collaborations can also result in the transfer of intellectual property rights. (Caves, 1996).

Governments have often offered special incentives to foreign enterprises looking to establish operations in their nations based on these claims. When FDI is encouraged, the economic argument is often based on the notion that knowledge transfers and spillovers are generated as a result of foreign investment. (Carkovic and Levine, 2002) For example, De Gregorio (2003) points

out that FDI may enable a nation to access new technologies and information that would otherwise be unavailable to local businesses. This, in turn, boosts economic development and productivity for everyone in the country. FDI may also bring in skills that a nation lacks and provide businesses access to global markets.

Short-term FDI may be advantageous, while long-term FDI is not. According to Durham (2004), FDI does not have a direct correlation with growth, but rather the "absorptive capacity" of the host country has a significant impact on the FDI's impacts. Foreign direct investment flows into Uganda are determined by several factors, including political and macroeconomic stability, as well as the consistency of government policies, as noted by Obwona (2001) in his research on the subject. He also notes that while FDI has an impact on growth, it is small.

FDI has a major impact on the productivity of indigenous enterprises, which in turn boosts the economy. Through the formation of customer/supplier ties, greater rivalry, imitations, or labor turnover between foreign and local enterprises, these impacts may be achieved. Good institutions, by decreasing information asymmetries, effectively distribute knowledge to market players, allowing them to take use of the market's possibilities more effectively. The propagation of FDI spillover effects is aided greatly by the elimination of information asymmetries brought about by high-quality institutions (Jude and Levieuge, 2016).

Sub-Saharan Africa's economic history has been dominated by economic backwardness and poverty for a long time. Over the last several decades, this has only become worse. As a member of this group of countries, Uganda has a number of challenges, including severe poverty, significant unemployment, a lack of infrastructure, massive budget deficits, and extremely low economic development. Gruha et al (1993). The latest global economic crises, such as the one that hit in 2008 and resulted in record-high unemployment and negative economic growth, have only served to exacerbate these recurring cycles of economic destitution. Even in academics, there has been a lot of discussion on how to prevent unemployment and boost economic development. The topic of FDI has recently been the subject of debate. The role that FDI may play in lowering unemployment and igniting economic development has been the subject of several academic studies, both empirical and theoretical. Sub-Saharan Africa's policymakers have been tasked with reinvigorating the region's economic potential, and they depend heavily on FDI to do so;

Mickiewicz, et al (2000). As stated in the argument, foreign direct investment encourages private investments, generates new employment, distributes knowledge and technical skills to the labor force, and in general enhances economic growth of the host countries.

A United Nations analysis indicated that FDI flows into poor nations dropped from \$1.5 trillion in 2012 to \$1.2 trillion in 2015, with FDI flows into Africa continuing their downward trend, declining by 3 percent to \$59 billion in 2016. (UNCTAD, 2016).

This has been a controversial subject in Uganda since, like other developing nations, the country seeks to raise GDP by figuring out the most effective ways to boost production. Aside from having many natural resources and rich terrain, Uganda is also endowed with favorable climatic conditions that make farming a viable option. Due to an imbalanced trading climate that benefits industrialized countries, Uganda depends nearly entirely on exporting basic items, which have lower pricing, placing Uganda on the wrong end of the trade equation.

2.4 The Association Between FDI and Economic Growth.

Neoclassical growth theory and endogenous growth theory have been used to examine the impact of FDI on economic growth. The neoclassical hypothesis holds that labor, capital, and technology may all contribute to economic development in the near term. It is possible to generate short-term economic development by properly combining or adjusting the three input factors. Economic growth in the long term may be driven by factors such as technological development and a larger labor force under the neoclassical model. Continuous technical improvement, capital accumulation, and appropriate usage of that capital are the pillars of Solow's (1957) Neoclassical theoretical framework. The law of diminishing returns governs the notion that capital increases economic growth in the near term but does not alter in the long term. As a result, the accumulation and use of additional capital stimulates economic development in the short term but has little influence on it in the long term. As Solow (1957) found, FDI may boost economic growth in the near term, but has little influence on it over the long term. This suggests that FDI has just a short-term impact on the economy, and that this only has a limited impact. There is no apparent function for technology in the neoclassical concept of economic development. Thus, endogenous growth theory was born, capturing the crucial role that new technologies play in spurring economic expansion.

FDI and economic growth are two things we look at to see if FDI helps economic growth or not. At the same time as Vo, Batten (2009). To see how FDI can help a country's economy grow, researchers looked at how well its people were educated, how well it could get into the world's markets, and how long it had been around (FDI). However, countries with less education, less international trade, and a weak stock market link had a weaker connection. Iamsiraroj and Ulubaşoglu (2015), were the two people who were in the car. A lack of education is not an indicator of how well a country can take in foreign investment. Trade openness and financial development are better indicators of how well a country can take in foreign investment than education.

By nation of origin and host country factors such as financial sector stability and openness, Fortanier (2007) claims that FDI's growth impact varies. Global studies have agreed that FDI growth-enhancing effects are conditioned on specific features such as openness to trade and financial sector development, but there is no agreement on the degree of education in the host nations. When it comes to Africa, Gui-Diby (2016) uses a feasible generalized least squares approach to assess the effect of FDI on yearly panel data for 50 African nations covering 1980–2009. FDI inflows, according to the author, are a key stimulus for economic development. Contradicting findings from Herzer (2010) that FDI has an overall negative impact on development in developing nations, this research shows a considerable variation in the growth effects of FDI across different countries. Comparing nation and sector-specific research with aggregate studies, the growth-enhancing impact of FDI is well known. According to Awolusi and Adeyeye (2016), the ordinary least squares and GMM estimators found that in most African nations, the influence of FDI on economic development is minimal or nonexistent. It has been shown that FDI has a direct impact on productivity and the technology gap in African nations (Malikane et al, 2017). There was a typically favorable but small influence of FDI on productivity growth in the fixed-effects and two-step system GMM techniques Recent research (Malikane and Chitambara 2017) have shown that FDI inflows have minimal influence on the development of African countries, raising doubts about their impact on the continent's economy. Studies on the relationship between FDI and African economic development are similarly mixed, with some claiming a large influence of FDI on economic growth, while others show little or no effect even when FDI is conditioned by other factors. Sub-Saharan Africa's FDI and economic development are natural subjects for discussion. Evidence of FDI's favorable influence on economic development was revealed by

Ndambedia and Njoupouognigni (2010). In Kenya, a research by Chege (2015) indicated that FDI boosts economic development.

Doku et al. (2017) used panel data from 2003 to 2012 to examine the impact of Chinese FDI on economic development in Africa. Chinese FDI in Africa has a disproportionate impact on the continent's economic growth. Their research found a causal relationship between African GDP and Chinese FDI in both the short and long term, and the kind of causation was unidirectional in both directions.

2.5 Inflation and Economic Growth

Economic activity and growth have been demonstrated to be negatively affected by inflation in a variety of ways. Individuals and corporations squander time and money trying to preserve their wealth against inflation. Inflation, on the other hand, leads to resource misallocation and inefficiencies as a result of this a decrease in overall output. When people save less, they invest less, and as a result, the economy grows at a slower pace. Investment is discouraged by uncertainty about future prices, which results in a smaller capital stock in the economy. Inflation also reduces investment returns. Additionally, investors prefer to put their money into inflation-hedging assets like real estate and equities rather than in more productive assets like machinery and equipment (Jones & Manuelli, 2001)

Inflation hedge assets may experience an asset price bubble as a result of this. Labor discussions squander resources and raise nominal salaries, both of which contribute to decreased economic growth as a result of limiting the economy's output capacity. Average contract durations are reduced as inflation fluctuates. Because of this, resources are squandered in the re-negotiation of these agreements. Growth is stifled by less competition, both locally and abroad. An increase in inflation diminishes exporters' competitiveness, which in turn leads to a decline in trade and, ultimately, to a current account deficit on the balance of payments (Ambler, 2003). As a result, the country's products sector will see less investment, making it more difficult to minimize the country's current account deficit. Profits in the traded products industry will also decrease when global competition is decreased. In other words, resources will be shifted from the sector of traded products to that of non-traded ones.

Depreciation is undervalued by inflation. As a consequence, companies report increased profits, resulting in higher profits tax payments. This is bad news for businesses looking to expand their investments. As a result of inflation, the economy is burdened with more expenses, resulting in a decrease in economic growth. (Duarte, M., & Stockman, A. C. 2005). In this economy, people split their wealth consumption and investment are funded by a trade-off between fiat currency and real money in the form of spending. Increased investment and decreased consumption occur when inflation rises over a certain threshold. However, the net return is poor because of the low return on money. Because of this, investment and the stock of capital are reduced. Due to a decrease in consumption, investment, and the capital stock, economic growth decreases.

When inflation rises, as well as various occasions, the first of which is an increase in the growth rate since the tax paid on capital decreases as depreciation rises. The growth rate slows down as a result of the second consequence. Nominal interest rates rise in tandem with the growth of the money supply. Depreciation tax credits are being decreased, which raises the rate of money. It is depending on the effect of inflation on the choice between work and leisure. If cash and credit items are interchangeable, then raising the price of cash goods will cause consumers to switch from cash to credit, resulting in a fall and subsequently a rise in the growth rate (Hodge, 2006).

Increasing the price of cash goods will lead to a decrease in the consumption of both cash and credit goods, which will lead to an increase in the demand for leisure products. As a result, growth will slow (Jones & Manuelli. 2001). The rate of inflation is inversely proportional to the degree of economic uncertainty. More fluctuations in inflation are linked to higher inflation, which leads to more uncertainty (Jackman, et al. 2004). Buying, selling, borrowing, and investing are all affected by the uncertainty about the inflation rate. Decisions must be based on present and projected pricing for any of these options. Shorter-term price forecasting has a better likelihood of being accurate than longer-term price forecasting, which discourages investment and results in a reduced capital stock in a nation (Briault, 2007). As a result, investors who are ready to take a greater risk will expect to be paid for their risk, making investments more expensive for borrowers. As a way to protect themselves against inflation, Individuals would divert energy and cost from their typical productive activities. Investment is discouraged and the capital stock is lowered as a consequence of the higher real rates caused by a greater risk premium.

The empirical study of the connection between inflation and economic growth. Inflation's effect on production growth is the subject of several economic theories. Theories are helpful because they explain a specific occurrence that has been seen. Many people have discussed the link between inflation and economic development for a long time now. It is conceivable for inflation to have a beneficial influence on growth as well as a negative one. While it is widely accepted that inflation has a negative influence on growth, some inflation thresholds may have a beneficial benefit. Both sides agree that the strength of the link between these two macroeconomic variables depends on the validity of the model that was used to assess them (Burdekin & Weidenmier 2002).

According to economic theory, inflation has a negative impact on growth when it rises over a certain level. Inflation and growth have a negative link beyond this inflection point. In some circumstances, there is no link at all, while in other cases there is a positive one. Economic growth may also be affected by inflation uncertainty. Inflation speculation may well have a higher impact on GDP than the actual amount of inflation, according to theory (Hodge, 2006). Theoretical studies have empirical data to back them up. An overwhelming majority of empirical research suggest, there is adverse correlation between inflation and economic growth in terms of empirical evidence. The empirical research suggests that, save for a few nations, there are inflation threshold levels. Inflation targeting was established in 2000, and since then, there has been less volatility in both the inflation rate and GDP growth rate. Minor inflation rates drive prime to a more stable growth rate, with fewer volatility, in support of inflation-targeting goals (Epstein, 2003).

Having a long-term correlation between inflation and economic growth does not suggest that the two are linked causally. The inflation volatility, there is a high correlation between inflation rate and inflation volatility. However, it remains to be seen whether inflation targeting has a negative impact on economic development since its adoption during the last year. As a result of inflation targeting, the volatility of employment has also decreased. According to this theory, low inflation promotes job creation through boosting economic development in the market (Khan, 2001).

2.6 Exports and Imports

Exports and imports have been suggested to have a significant impact in economic growth. Theory and empirical research largely focus on the connection between export and growth or the correlation between exports and imports and economic growth or the relationship between export and import. In addition to exports necessitating innovation and improvement by enterprises in order to retain their market share, they are considered as a source of economic and social growth. Sales and earnings will rise as a result of exporting. The other option is that they lessen reliance on local markets by expanding into international markets, where the market base expands and local consumers are merely reduced. As an alternative, exports are able to mitigate the effects of market volatility, but functioning in global markets makes enterprises more vulnerable to economic shifts, shifting client preferences, and seasonal swings in their local economy. It may be stated that a growth in exports leads to an increase in currency access, which in turn improves national revenue, turnover, and surpluses of the government. There is evidence that (Bakari, et al, 2017).

As a result, people's quality of life rises. However, despite these benefits, many times exports fail because of a variety of reasons, including the presence of more competition than expected, unpopular or popular products in the target market, unstable countries due to war or civil conflict, weak media publicity and definition of the exported product, and other similar reasons. When it comes to imports, the state's inability to meet its own demands is mirrored, making it reliant on and vulnerable to other nations. As a result, the value of the local currency is devalued and the trade balance is negatively impacted, which has a negative impact on economic development. The import source of economic development might include hardware and electronic equipment that helps and contributes to the growth and improvement of investment, or items that need a higher manufacturing value than imported. Because of these reasons, export and import remain a contentious issue because of its power to affect the social and economic development of nations.. (Bakari, et al, 2017).

Uganda imports a large number of completed commodities, such as clothing and fruit juice, that do not have a direct impact on the country's gross domestic product (GDP). Other domestic sectors claim to have suffered harm because of low-cost imports of inferior domestic goods that led to a reduction in the production level of those industries' contributions to GDP.

With international commerce, items produced in one country may be exported to another country for sale or trade, which increases the demand for those things in the other country, resulting in a boost to domestic production and hence growth in the economy. Small domestic markets are commonly claimed to not expand indefinitely and that any good economic shock that leads to the growth of the home market is more likely to fade fast. Economies of scale may be used in big foreign markets that do not have growth limits on the demand side (Bbaale and Mutenyi, 2011).

Many nations have examined the link between exports and economic development using time-series methodologies, and the empirical evidence is overwhelming. It's worth noting that no one seems to agree on one series is to blame for the other's occurrence. Researchers and academics alike disagree on the exact nature of the link between exports and economic development. The export-led-growth (ELG) hypothesis asserts that export growth precedes economic growth, while the growth-led-export hypothesis (GLE) asserts that economic growth is a function of international trade flows, in which goods produced in one country are shipped to another country for resale or trade. Both hypotheses have evidence to back them up. Exports are said to be the driving force behind economic development. The historical expertise he gained through researching Adam Smith's export ideas allowed him to make an effort at analyzing the function of the Indian economy in relation to global trade flows. Because of their small size and dearth of natural resources, developing nations like India are more likely than larger ones to benefit from export specialization as a means of spurring economic development. (Musinguzi, et al, 2019).

In India, exports had a significant influence on economic development from 1960 to 1989, according to an empirical study by Nidugala. Growth in manufactured exports was shown to have a substantial positive correlation with GDP increase, but growth in primary exports had no effect on GDP growth. To him, a greater degree of development and a shift in export composition in favor of manufactured goods explain this shift in the link between export growth and GDP. (Nidugala, 2000).

2.7 Empirical Study

A study by Easterly (2003) aims to determine whether or not foreign assistance may help boost economic development. His paper suggests that help resources should be directed to nations where they are most effectively employed, and that aid-giving bodies should constantly examine

the programs sponsored by the aid with reference to their pledges and accomplishments. " Dalgaard et al. (2004) also examine the theoretical and empirical evidence supporting the efficacy of foreign assistance. Generally speaking, long-term production is affected by assistance inflows. Also, assistance has been useful in promoting growth; the size of this impact is dependent on climate-related factors. Foreign assistance, according to Easterly (2007), can't achieve economic growth all on its own. Foreign assistance, however, might be anticipated to effect tiny but significant improvements in the receiving nations, which can provide the groundwork for long-term economic growth.

According to Headey, aid had a significant but small average influence on growth from 1970 to 2001. (2008) While Pedroni (1990) claims that bilateral aid had no effect on development during the Cold War, he believes that it did have an impact following the end of the conflict. As a consequence, it seems that international aid has had a significant impact. Additionally, Rajan and Subramanian (2008), examined the effect of aid on growth in cross-sectional and panel data after correcting for the possible bias that weaker or better growth may attract aid contributions to recipient states. There is no correlation between a country's economic progress and the amount of help it receives. A better policy or geographic setting or the effectiveness of a particular kind of help is not shown to be a factor.

According to a research by Tait et al. (2015) that looked at 25 SSA nations from 1970–2012, Aid had a considerable long-term beneficial impact on per capita GDP development throughout the time period under consideration. Using yearly data from 1972–2008 and quarterly data from 1997–2014, Bwire et al. (2017) investigate Uganda's dynamic link between assistance and domestic fiscal aggregates. Research shows that long-term fiscal stability is linked to greater tax effort and public expenditure and lower domestic borrowing as a result of help.

According to Jawaid and Saleem (2017), FDI in Pakistan has a considerable negative influence on economic development. An important aspect of economic progress is the free flow of ideas and technology across borders, as noted by Borensztein et al. (1998). Furthermore, Ullah et al. (2014) offered further evidence of the positive influence of FDI inflows on economic growth. It has been shown in Alfaro et al. (2004) that the expansion of financial markets is a precondition for FDI profits. It was also said that the sole contribution to economic progress provided by FDI

was questionable. Bermejo Carbonell and Werner (2018) evaluated the impact of FDI on the Spanish economy and found no evidence of a relationship between FDI and growth.

Durham (2004) studied the effects of foreign direct investment and equity foreign portfolio investment (EFPI) on the economies of 80 countries between 1979 and 1998 as part of their study. It has been shown that the economic benefits of FDI are increased when the country has strong institutions and a well-functioning financial system. Use an 85-country panel from 1976 to 2004 (Azman-saini et al. 2010) analyze the impact of institutional development on the link between foreign direct investment and growth. When it comes to measuring development in institutions, economic freedom is the best barometer. Economic growth does not seem to be linked to foreign direct investment, according to the results of the generalized approach of moment system estimate.

Research by Alguacil et al. (2011) examines the effect of absorptive qualities, such as macroeconomic stability and institutional development, in mediating the influence of FDI on economic growth in poor and lower medium and higher middle income countries during the period 1976–2005. Economic approaches used by these researchers include the System GMM and the OLS. The findings suggest that FDI's influence on economic development is reduced when the macroeconomic environment is unstable and the quality of institutions is weak. If a country's institutions are of high quality, foreign direct investment and other forms of capital inflows boost economic development, according to Slesman et al. (2015), a threshold regression model The impact of FDI on economic growth is either minimal or negative in nations when the degree of institutional development falls below the threshold. According to Brahim and Rachdi (2014) look at 19 MENA countries from 1984–2011 to see how institutional development affects the FDI-growth link. FDI may boost economic development only in nations with strong institutions, according to the study's findings. Another study using the same methodology, find that FDI only boosts growth in nations with a stronger institutional foundation. (Jude and Levieuge 2016).

Some African nations have had varied outcomes in terms of the impact of FDI on growth, according to these research. Two stages least squares (2SLS) was used by Obwona (1999) in Uganda from 1981 to 1995 in order to determine the association between FDI and Uganda's GDP growth. The FDI drivers and growth equations are modeled using a two-equation model. FDI, gross domestic savings as a percentage of GDP, the growth rate of real exports, foreign assistance,

and other capital inflows are all regressed on to arrive at the GDP growth equation. Obwona discovered that FDI had a favorable influence on economic development, although a small one. Other research have shown that FDI has the greatest influence on export-oriented nations.

An analysis of the impact of FDI on economic development in Kenya and Uganda was conducted using the least square dummy variable (LSDV) method. Their estimates for growth drivers and FDI used yearly and five-year average data from 1970 to 1996. They determined that FDI has a significant impact on economic development, but that it is not a universal solution to improving overall economic growth. Phillips, et al., (2001)

According to Hatemi and Irandoust (2002), the Nordic countries' export growth was linked to an increase in GDP. According to the findings, in Denmark, economic development leads directly to an increase in exports in a unidirectional Granger causal relationship. They also investigated the relationship between Japan's export growth and the country's economic growth using enhanced Granger-causality tests and bootstrap simulations. There is a clear bidirectional relationship between export growth and Japan's economic growth, as shown by the Granger-causality data. However, they argue that international commerce and exports are directly linked to economic development.

Priede (2012) examined the influence of imports on regional economies in numerous European nations, between 1995 and 2005. According to Priede (2012), large import volumes correlate with higher per-capita GDP in the area. Increasing import area and volume, according to the study's findings, all diminish revenue. His research found that imports had a beneficial effect on area revenue, contrary to popular opinion.

Mahmoodzadeh and Mohseni (2005) used the vector error correction model (ECM) and Johansen's cointegration approach to examine both the short-term and long-term effects of imported technology on Iran's economy between 1959 and 2003. Importing relevant technology provides a foundation for industrial and social development that helps nations evolve from traditional manufacturing to industrial production and proceed through the stages of economic growth, they said in their essay. Impetus response function and prediction error-variance decomposition approaches were also applied by Mahmoodzadeh and Mohseni (2006) in their investigation of dynamical systems dynamics. They found that there is a correlation between

investment imports and GDP, even if it is a modest one, but not between intermediate imports and non-oil GDP. The long-term impact of imported intermediate and investment inputs is substantial.

Using data from 2009, Owen et.al (2012) examined imports and economic growth in the United States. In the first quarter of 2009, GDP increased by 7.5%, and then data analysis was utilized to evaluate the contribution of imports to various sectors of the US economy and the Commerce Department. While exports, business and residential investment, and personal consumption spending contributed 3.4 percent to GDP growth, delayed inventory consumption contributed 3.7 percent. An rise in imports reduced GDP growth by 1.4%, on the contrary.

Atif (2012). Exported goods, imported goods and FDI all had an influence on Pakistan GDP growth between 1980 and 2009. As he pointed out in his piece, GDP serves as a linchpin for measuring economic expansion. A scatter plot matrix was used to investigate the association between variables. The results showed that all four coefficients had positive values. Pakistan's economic development was not impacted by foreign investments, which indicated that Pakistan did not have enough policies in place to benefit from international investments. Imports of products and services also had a substantial influence on economic development, according to this study.

Iran's economic development was studied by Tehranchian (2006). Between 1973 and 2006, the research looked at the influence of imports of intermediate, investment, and consumer products on the Iranian economy. A library-based research technique was employed to gather data as the researcher used Rati Ram's model of analysis to examine the influence of various sorts of imports on economic development. However, after implementing growth plans, the composition of imports changed to favor intermediate and investment items, despite an increase in imports for all product categories. In contrast to intermediate goods and investments, consumer products had coefficients of economic growth trend of 0.22. Imports in the form of intermediate products and investments had a direct influence on Iran's economic growth index, whereas imports of consumer items had a diminishing and indirect impact.

Between 1995 and 2013, Bader (2016) examined the effect of imports on Arabian nations' economic development. To gather data from 17 different nations, the researcher used a panel data technique. Imports were shown to have a favorable effect on economic growth. There was also a study by Fullerton et al. (2012) that looked at the link between Mexican imports and economic growth over the period from 1980 to 2007 in Mexico. The study's vector-error correction and

casualty test methodologies revealed that Mexico's economic development was mostly fueled by imports rather than exports. Using historical data from 1970 to 2011, Andrews (2015) studied the link between Liberian GDP, imports, and exports. Imports and exports, as well as exports and GDP, were shown to be causally linked in a single direction by the researchers. Imports and GDP were shown to be linked in a back-and-forth fashion. Liberia's GDP is not solely based on exports, according to the data. Instead, both imports and exports power it, with the former having a lasting effect.

In a research by Dutta and Ahmed (2004), they looked at the relationship between India's GDP growth rate and the country's aggregate import levels between 1971 and 1995. The research used econometric models to show that import demand is not influenced by real GDP levels, but rather the other way around. Bulgaria, Poland and the Czech Republic were studied by Awokuse (2007), who looked at the influence of imports on their economies. Imports and economic growth were shown to have a substantial positive association on the imports of the three nations studied using co-integrated Vector Auto-Regressive (VAR) models and neoclassical economic growth models. A research by Thangavelu and Rajaguru (2004) intended to acquire evidence on the existence of Import Led development. Imports and national outputs were shown to have a strong and positive correlation in the Asian nations studied. Imports and economic growth, according to the findings, have a one-way link.

Exports and economic development were the focus of a research conducted by Vohra (2001) in five countries: Pakistan; the Philippines; Malaysia; India; Thailand; and Thailand. He approximated two distinct models using time series data from 1973-1993. Exports and non-export sectors were included in the first model, but exports were the sole component in the second. Exports, labor, and capital were the three factors estimated. The long-term impact of exports on economic growth was determined to be insignificant. Short-term economic development is boosted by exports, especially in nations with middle-class populations.

Were and Karingi (2007) examined the short- and long-term relationships between exports and GDP growth in Kenya, using annual data from 1980 to 2000 to conduct their research. The labor force of the nation, the currency rate, and another dummy variable were all taken into consideration. The models of VECM, ARDL, and Granger causality were all used. Exports and

GDP growth are inextricably intertwined in the long term. They supported the premise of export-led growth and pushed for strategies to enhance exports.

Between 1970 and 2005, Jordaan and Eita (2007) looked at the relationship between Namibia's exports and the country's economic development. Estimates of gross domestic product (GDP), exports, and GDP per capita were made using Granger causality, ECM, and Johansen Maximum Likelihood techniques. They found that exports had a greater impact on GDP and GDP per capita than imports. Furthermore, imports and exports were shown to be co-integrated with GDP and to have a bi-directional causal relationship with GDP.

Exports and production growth in Malaysia's 1959-2000 time series data were investigated by Keong, Yusop, and Sen (2005). Granger causality, ECM, and the two-stage least squares were employed to test for any short-run or long-run equilibrium among several estimated variables, including GDP, population, actual imports of consumable items, and the exchange rate. Export-led development in Malaysia was shown to have been driven by all factors except the exchange rate granger in the research.

The vector autoregressive (VAR) model was used by Akanni (2007) to investigate the relationship between Indonesian exports and economic development. Generalized Impulse Response Function (GIRF) research showed that economic growth and exports had a significant impact on Indonesian GDP. The researchers came to the conclusion that exports and economic growth are linked in a way that is both short-term and long-term, i.e. Growth Led Export and Export-Led Growth. Vohra (2001) looked examined the link between exports and growth in Pakistan, India, Malaysia, the Philippines, and Thailand between 1973 and 1993 in a different research. Economic growth is favorably affected by exports after countries reach a particular degree of economic development, according to the study's empirical results. It was also shown that open market policies are important by attracting foreign investments and pursuing export growth methods.

Cointegration study for 73 developing nations between 1970 and 2000 was undertaken by Mehrara and Firouzjaee (2017). Granger causality was utilized to determine the link between non-oil exports and economic growth. Oil-dependent or non-oil-dependent nations were included in the study. Both the bivariate and the trivariate models revealed a long-term causal relationship between GDP growth and exports for the two groups of nations. Bivariate models showed that

exports and GDP growth in developing nations in the non-oil category had a bidirectional causal link in the near term. No short-run causal association was found between oil exports and economic growth in either model, the research found.

In another research, Ugochukwu and Chinyere (2013) looked at data from 1986 to 2011 to examine the export-led growth theory in Nigeria. Economic tools like Granger causality and Ordinary Least Squares (OLS) were used to determine how much exports affected growth and in what direction. The findings indicated that oil export had a substantial and favorable effect on the development of Nigeria's economy throughout the period under consideration. Non-oil exports were also shown to have a positive and significant impact on GDP. According to the Granger causality test, GDP and oil exports are linked in a one-way relationship

3. METHODOLOGY

In this section will be discussed the model study and the model of the study will be Autoregressive Distribution Lag (ARDL), It also explains the data types adopted in this research and their sources.

3.1 Research Design

The research design is the process of creating a study that will answer a specific research topic. This strategic framework for action serves as a link between the themes of study and the actual execution of the research findings and recommendations (MacMillan & Schumacher, 2001). A technique based on time series quantitative research was utilized to analyze the impact of foreign aid on Uganda's economic growth from 1989 to 2019. The study covered the period 1989 to 2019. It is planned to collect data on the same variable on a regular basis for the purposes of this research (s). Because of our study, we have chosen to proceed with this particular design.

Researchers utilize research methodology to describe the procedures they will employ to acquire and analyze the data they collect as part of their work. It was necessary to do quantitative research to meet the study's goals since this kind of research involves comparing numerical data, testing theories, and drawing conclusions that apply to the whole community. Therefore, the statistical analysis of time-series data gathered from 1989 to 2019 was conducted using quantitative research methods.

3.2 Model specification

When dealing with a small sample size, the ARDL approach is an excellent tool for generating both short- and long-term elasticities, as well as cointegration across variables. The order in which variables are integrated is configurable in ARDL. The ARDL cointegration approach enables the analysis of long-term relationships between series with varying integration orders (Pesaran and Shin, 1999, and Pesaran et al. 2001). The reparameterized result contains information on the variables' short- and long-term dynamics and relationships. When the underlying variables have just one cointegrating vector, the ARDL model is turned into an ECM model. The reparameterized result contains information about the underlying variables' short- and long-term dynamics and linkages. The ARDL model equation will be:

$$y_t = \beta_0 + \beta_1 y_{t-1} + \beta_2 x_t + \beta_3 x_t + e_t$$

$$GDP_t = \beta_0 FDI + \beta_1 y_{t-1} AID + \beta_2 x_t INF + \beta_3 x_t EXP + \beta_4 x_t IMP + e_t$$

Where: GDP is gross domestic production, FDI is foreign direct investment, AID is foreign Aid, INF is inflation and EXP is exports, and as well as IMP is imports and e_t is the error term. T When it comes to co-integration, the bound F-test is included in the ARDL approach. A significant advantage of the ARDL technique is its versatility and simplicity, which may be used to multivariate time series analysis. In the ARDL framework, Unconstrained error correction (ECM) is applied to Equation (1). To test for long-term cointegration, and the results are reported (2):

$$\begin{aligned} \Delta \ln GDP = & \beta_0 + \sum_{t=1}^p \Delta \ln GDP_{t-1} + \sum_{t=1}^p \Delta \ln AID_{t-1} + \sum_{t=1}^p \Delta \ln FDI_{t-1} + \sum_{t=1}^p \Delta \ln INF_{t-1} + \sum_{t=1}^p \Delta \ln EXP_{t-1} \\ & + \sum_{t=1}^p \Delta \ln IMP_{t-1} + \lambda_1 \ln GDP + \lambda_2 \ln AID + \lambda_3 \ln FDI + \lambda_4 \ln INF + \lambda_5 \ln EXP + \lambda_6 \ln IMP + e \end{aligned}$$

In this situation, the delta function, which is denoted by the difference operator, displays the short-term dynamics. This data is used to determine long-term correlations between the variables being analyzed. The short-run coefficients of equation resilience models are used to investigate the short-run dynamics of the equation, to validate the long-run coefficients of equation resilience (2). A given is, as stated in the equation (3).

$$\begin{aligned} \Delta GDP = & \beta_0 + \sum_{t=1}^p \lambda_1 \Delta AID_{t-1} + \sum_{t=0}^{q_1} \delta_1 \Delta FDI_{t-1} + \sum_{t=0}^{q_2} \delta_2 \Delta INF_{t-1} + \sum_{t=0}^{q_3} \delta_3 \Delta EXP_{t-1} \\ & + \sum_{t=0}^{q_4} \delta_4 \Delta IMP_{t-1} + \varepsilon_t \end{aligned}$$

The study uses yearly time series data from 1989 to 2019, the United Nations Statistics Division and the World Bank were among the sources used to compile the data. The study uses the ARDL model used to assess if the present short-run connection between the variables is cointegrated in order to examine the long-run and error correction model.

3.3 Data analysis and estimation methods

It is necessary to do an econometric study in order to examine the link between foreign aid, foreign direct investment, inflation, exports and imports, and GDP. After much consideration, it was concluded that EViews 11 would be utilized for the econometric testing. The methodologies employed in this inquiry included a variety of different analytical techniques.

3.3.1 Descriptive Statistics

The review utilizes unmistakable measurements to clarify essential information highlights. It gives a little example and measures outlines. The type of the premise of for all intents and purposes any quantitative information examination with basic designs investigation. Expressive investigation uncovers the mean, least, stander deviation and a limit of the information.

3.3.2 Unit Root test

Testing for stationarity before estimate is thought required to discover the connection between time-series data since the majority of time series variables may be non-stationary and any estimation using such non-stationary series may yield erroneous findings. Therefore, the researcher employed Phillip Persona (PP) and Augmented Dickey Fuller (ADF), to see whether all of the variables used in this study were stable.

3.3.3 Cointegration Test

Cointegration may be used to model time series while preserving their long-term information. A dynamic specification framework may be used to examine whether a group of variables has long-run relationships with one another using tests and estimating procedures developed by Granger (1981) and Engle and Granger(1987). When two non-stationary time series are linked together, the workings of equilibrium forces will guarantee that they do not drift too far apart. This is known as a cointegration test. In other words, cointegration is a certain stationary linear combination of non-stationary yet integrated variables (d). It is an econometric notion that replicates the long-run equilibrium of underlying economic time series, which tends to converge with time.

3.3.4 Diagnostic Test

Testing the Normality of Data: As the sample size grows large, consistency is a trait of the point estimator that collapses around the parameter, essentially telling us nothing about the shape of the sample size. The results of the study need a way of approximating the distribution of the estimators. The hypothesis of the study

H_0 Data is not normally distributed

H_0 Data is normally distributed

Heteroscedasticity test: When determining whether or not the residual variance is constant, the heteroscedasticity test must be performed. The ARCH approach was used to perform a heteroscedasticity test to determine whether or not previous mistakes had an influence on future periods. Specifically, the null hypothesis was examined and demonstrated in the following ways.

$$H_1: \sigma_1^2 = \sigma_2^2 = 0 \dots \dots \sigma_k^2 = 0$$

H_1 : Having minimum one of these is not zero.

As a consequence, if the test was found to be reject of the null hypothesis, the analysis reveals that the model has a problem with heteroskedasticity, which is confirmed by the data.

Autocorrelation test: Use of the serial correlation test was employed to determine the correlation between the present value of a variable and its prior values.

H_0 : There is no autocorrelation between the variables

H_1 : There is autocorrelation between the variables.

If the data obtained demonstrate that the probability is larger than 5% critical value up to the final lag, the model is confirmed to have no autocorrelation.

Stability test: This test seeks to determine if regression coefficients are consistent. Stable parameters allow the regression model to forecast or predict, which is why this test is so important. The RESET stability test was used in this experiment.

3.3.5 Granger Causality Tests

The direction of the variables in the investigation was determined using the Granger Causality test. A correlation exists between foreign aid and economic development in Uganda, according to the studies provided. Following the Granger causality technique, the researchers looked for patterns of causal links between variables. It is possible to forecast another time series using the Granger causality test, which is a predictive hypothesis test. Alternatively, if the probability value is less than a certain quantity of alpha, the hypothesis will be eliminated at that time.



4. EMPIRICAL RESULTS

The findings of the research are summarized and discussed in this chapter. The findings are shown in tables and graphs. Results are provided as sub-components, each of which is examined in more depth, in accordance with the research objectives.

4.1 Descriptive test

A descriptive statistic is one that describes or sums up data in understandable and helpful ways. The concise summaries of the data set's sample and measurements provided by this technique aid in the description and understanding of the data set's characteristics.

Table 4.1 Descriptive Test

	GDP	FDI	INF	IAD	EXP	IMP
Mean	620.2910	4.70E+08	15.38844	1.22E+09	5.49E+12	3.56E+09
Median	590.0669	2.95E+08	5.637612	1.20E+09	1.95E+12	1.81E+09
Maximum	898.4075	1.27E+09	115.4467	2.10E+09	2.26E+13	8.04E+09
Minimum	362.5071	-5910000.	-3.169556	5.17E+08	7.12E+10	6.82E+08
Std. Dev.	179.9933	4.12E+08	25.68699	5.18E+08	6.41E+12	2.82E+09
Skewness	0.079597	0.472828	2.699703	0.141339	1.117766	0.479450
Kurtosis	1.536054	1.800866	9.903097	1.412913	3.157591	1.475636
Jarque-Bera	2.800955	3.012408	99.20819	3.356720	6.487314	4.189101
Probability	0.246479	0.221750	0.000000	0.186680	0.039021	0.123126
Sum	19229.02	1.46E+10	477.0415	3.78E+10	1.70E+14	1.11E+11
Sum Sq. Dev.	971928.0	5.09E+18	19794.64	8.05E+18	1.23E+27	2.38E+20
Observations	31	31	31	31	31	31

Source: An analysis by the author due to secondary data

The table shows the calculations of descriptive test and the result indicates that GDP having the highest mean of the data with value of 620.29 and (SD= 179.99), and the span between 362.50 and 898.40, where AID having the lowest mean of the data with the value of 1.22E and (SD=5.18E), and data range between 5.17E and 2.10E. When it comes the table above the second highest mean of the data is inflation with the value of 15.38 and (SD= 25.68), and the data range

between -3.169 and 115.44, where the mean of FDI is 4.70E and (SD= 4.12E) and data span between -5910 and 1.27E. The value of average for exports 5.49E with (SD=6.41E) and imports 3.56E (SD=2.82E). The skewness of the data is all positive and less than 3, which suggests that the data is generally skew to the right. This indicates that the data is properly skewed, as shown by the positive skewness scores. The tail is tilted to the right because the right one is longer than the left one. Our data are deemed to be normal since their skewness is less than or equal to zero, which should be the case for any symmetrical data.

4.2 Correlation analysis

Correlation tests are used to quantify the linear relationship between two variables, however neither of the variables is considered a "outcome" variable in this context. "Dependency" refers to statistical correlations between two random variables or two sets of bivariate data, regardless of whether or not they are causal in nature.

Table, 4.2. Correlation Analysis

Correlation Probability	GDP	FDI	INF	IAD	EXP	IMP
GDP	1.000000 -----					
FDI	0.937149 0.0000	1.000000 -----				
INF	-0.360099 0.0466	-0.265890 0.1482	1.000000 -----			
IAD	0.949825 0.0000	0.925728 0.0000	-0.255900 0.1647	1.000000 -----		
EXP	0.899699 0.0000	0.877963 0.0000	-0.217486 0.2399	0.875362 0.0000	1.000000 -----	
IMP	0.946053 0.0000	0.937005 0.0000	-0.174689 0.3473	0.900736 0.0000	0.893896 0.0000	1.000000 -----

Source: An analysis by the author due to secondary data

The table above shows the correlation analysis and the results indicate that GDP has a positive relationship with all the variables except inflation because the results indicate that GDP and

inflation are having negative association with degree (-0.360099) and statically significant. The results also indicate that FDI have positive relationship with all the variables of the study except inflation with degree (-0.265890), this results were by statistically insignificant because the p-value was found 0.1482 which is greater than level of significant. Also, the results reveals that inflation having negative relationship with foreign aid, exports and imports, all the relationship was negative but statistically insignificant. The results also that there a strong positive relationship between aid and exports and as well as aid and imports, and this results were found statistically significant.

4.3 Unit Root

The Phillips-Perron and Augmented Dickey-Fuller tests are performed on the intercept, trend, and intercept to confirm that the data is stationary. The PP and ADF Null Hypothesis asserts that the series is non-stationary, while the alternative hypothesis asserts that the series is stationarily distributed.

Table, 4. 3 Unit Root Test at level using PP test and ADF test

Variable	Phillips-Perron test				Augmented Dickey-Fuller tests			
	Intercept	Prob*	Intercept & Trend	Prob*	Intercept	Prob*	Intercept & Trend	Prob*
GDP	0.143187	0.9639	-2.100374	0.5248	0.280178	0.9732	-2.282953	0.4272
FDI	0.233121	0.9703	-2.160156	0.4933	-0.369327	0.9023	-3.196597	0.1048
AID	-0.31052	0.9120	-2.352401	0.3952	-0.388469	0.8989	-3.392828	0.0734
INF	-6.37897	0.0000	-6.131506	0.0001	-6.143333	0.0000	-5.982943	0.0002
EXP	9.336365	1.0000	2.067196	1.0000	2.527887	1.0000	-0.028641	0.9938
IMP	-0.23053	0.9239	-2.180172	0.4828	-0.288959	0.9153	-1.946767	0.5981

Source: An analysis by the author due to secondary data

Note: *, **, and *** denote statistically significant levels at 1%, 5%, and 10%, respectively, indicating the rejection of the null hypothesis of a unit root.

The results of the ADF and PP tests by assessing intercept and trend intercept are shown in the table above, the results show that GDP is embedded at level series with a 5% significant level, which means ADF and PP tests are stationary at level series, so we can reject null hypotheses at level. The results also indicate that exports integrated at level series with 10% significant level in intercept section under PP test, where ADF test combined 5% and results was found that data are stationary at level series, so the null hypotheses is rejected. The test of PP and ADF concluded at level that there is no non-stationary in the data and we can reject H0.

Table 4.4 Unit Root Test at 1st level using PP test and ADF test

Variable	PP test				ADF test			
	Intercept	Prob*	Intercept & Trend	Prob*	Intercept	Prob*	Intercept & Trend	Prob*
GDP	-3.98849	0.0047	-3.934102	0.0233	-4.020445	0.0043	-3.960467	0.0220
FDI	-4.81174	0.0006	-4.660748	0.0044	-5.373387	0.0002	-5.215550	0.0014
AID	-6.19667	0.0000	-6.160751	0.0001	-1.869906	0.3406	-1.946167	0.6031
INF	-10.9744	0.0000	-11.47768	0.0000	-8.436442	0.0000	-8.353001	0.0000
EXP	-4.55813	0.0011	-7.712591	0.0000	-4.565465	0.0011	-6.035858	0.0002
IMP	-6.25235	0.0000	-6.217963	0.0001	-6.312760	0.0000	-4.154753	0.0179

Source: An analysis by the author due to secondary data

Note: *, **, and *** denote statistically significant levels at 1%, 5%, and 10%, respectively, indicating the rejection of the null hypothesis of a unit root.

The results in the table above show that the GDP is consolidated at the first difference level series with a 5% significant level, which means that ADF and PP tests are stationary at level series and null hypotheses can be rejected at this level.

The results reveals that FDI integrated at 1st difference level series 5% in intercept, trend & intercept under PP and ADF test are stationary and H0 is reject at 1st difference, also the table above show all data are stationary at 1st difference except inflation which consolidated 10% significant level at 1st difference level series under PP test in intercept and the result indicate that the series are non-stationary and we fail to reject the H0.

4.4 Cointegration Test

Analysis of the long-term equilibrium of the variables studied is carried out using a co-integration test. All of the variables were subjected to the trend-and-intercept-assumption in the form of trace and maximum eigenvalue tests. As a precautionary measure, For the sake of ensuring that the regression model is accurate and is based on an actual connection, we looked for signs of co-integration. Co-integration tests, such as the Johansen co-integration test, have been used to study the long-term relationship between variables.

Table 4.5 Cointegration Test

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.991295	306.1839	107.3466	0.0000
At most 1 *	0.940614	173.3546	79.34145	0.0000
At most 2 *	0.780475	94.29123	55.24578	0.0000
At most 3 *	0.558508	51.83518	35.01090	0.0004
At most 4 *	0.509391	28.94254	18.39771	0.0012
At most 5 *	0.274978	9.003493	3.841466	0.0027

Source: An analysis by the author due to secondary data

When it comes to determining whether or not there is long-term correlation between the two series, we need to look at whether or not they are cointegrated. It was determined that there

was no cointegrating equation between the series and the alternative by using the Johansen Cointegration test. It is mentioned here that the hypothesis is

H₀: There is no Cointegrating Equation

VS

H₁: There is Cointegrating Equation

If the trace statistic is more than the 5% critical value, the H₀ is rejected. In the Johansen Cointegration test output, we focus on the hypothesis labeled None, which has a trace statistic of 306.1839 and a 5 % critical value of 107.3466 (p=0.0000). Because the computed trace statistic is bigger than the crucial value, H₀ is rejected, implying that the variables have a cointegrating equation. As a result, the series have a long-term partnership. Hence, there is a long-term link between the dependent and independent variables that is both legitimate and stable. The results of this test allow the estimate of a regression model to continue.

4.5 Long and Short-Run Coefficients of the ARDL

The ARDL test, which employs a regression equation, predicts the short- and long-term consequences of a decision based on time series data. Cointegration was used in this study to determine whether or not long-term coherence characteristics were present. ARDL cointegration testing technique, this was cited as a contributing factor to the first split. Additionally, the result provided takes into consideration the interrelationships that exist between the different components.

Pesaran et al. (2001) recommended employing the ARDL technique for long-term relationships, whether the concealed components were I(0), or I(1), or a mix thereof. This is where ARDL comes in handy, as it can help determine whether or not a cointegrating vector exists. As a whole, each of the main components might be regarded a long-term relationship state. Re-parametrization is possible due to the fact that ARDL is a single model condition with an architecture similar to that of an electronic control module. The unbounded leg of the regressor is combined in a dispersed leg model in backslide work.

Table 4.6 ARDL short-run test

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP(-1)	0.250443	0.246583	1.015651	0.3316
GDP(-2)	0.276974	0.228824	1.210424	0.2515
GDP(-3)	0.324430	0.214751	1.510728	0.1590
FDI	-1.82E-08	2.05E-08	-0.887517	0.3938
FDI(-1)	-2.35E-08	1.44E-08	-1.637889	0.1297
INF	-0.422999	0.153047	-2.763853	0.0184
INFI(-1)	-0.409316	0.173517	-2.358934	0.0379
IAD	2.46E-08	1.60E-08	1.538864	0.1521
IAD(-1)	3.39E-08	1.70E-08	1.997894	0.0711
IAD(-2)	2.20E-08	1.90E-08	1.159490	0.2708
EXP	-7.29E-14	2.16E-12	-0.033782	0.9737
EXP(-1)	-5.34E-12	2.73E-12	-1.959223	0.0759
EXP(-2)	2.21E-12	2.12E-12	1.041242	0.3201
IMP	1.23E-08	4.80E-09	2.562902	0.0264
IMP(-1)	5.92E-09	4.92E-09	1.201904	0.2546
IMP(-2)	-1.14E-08	3.71E-09	-3.071213	0.0106
C	46.24933	26.49519	1.745575	0.1087

Source: An analysis by the author due to secondary data

The table above show the calculation of ARDL short-run between the variables, so the results indicates that there is a no short-run effect between GDP(-1), (-2) and (-3) and economic growth of Uganda, and this results was found statistically insignificant that mean we cannot reject the null hypothesis.

The table also shows that there is a negative effect between FDI, and (-1) and other variables of the study but the p-value was found (0.3938), and indicates that result statistically insignificant. So that means we cannot reject the H₀. The result reveals in short-run that there is negative effect between inflation and (-1) with economic growth of Uganda, and this results were found statistically significant. The data also shows that there is no effect between foreign aid, IAD(-2) and economic growth of Uganda in terms short-run effect, but when it comes IAD(-1), that there is positive effect between aid and other variables and that means we have evidence to reject the H₀.

The table above provides that there is no effect between exports and other variable of the study and when it comes to EXP(-2), As a result, we are unable to reject the H₀, because the p-value was found greater than significant level. There is a negative effect between EXP(-1) and

economic growth of Uganda in terms of short-run and this result statistically significant and we have evidence to reject the H₀. The Imports are having positive effects in economic growth of Uganda in short-run and the p-value indicate that (0.0264), which is less than significant level and also the data shows that there is negative effect between IMP(-2) and other variables of the study and we have evidence to reject the H₀, because p-value is less than the significant level.

Table 4.7 ARDL Long-run test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	46.24933	26.49519	1.745575	0.1087
GDP(-1)*	-0.148153	0.072662	-2.038929	0.0662
FDI(-1)	-4.17E-08	2.35E-08	-1.775138	0.1035
INF(-1)	-0.832315	0.280717	-2.964960	0.0129
IAD(-1)	8.05E-08	2.00E-08	4.032848	0.0020
EXP(-1)	-3.20E-12	1.48E-12	-2.165666	0.0532
IMP(-1)	6.81E-09	5.80E-09	1.174441	0.2650
D(GDP(-1))	-0.601404	0.223590	-2.689769	0.0210
D(GDP(-2))	-0.324430	0.214751	-1.510728	0.1590
D(FDI)	-1.82E-08	2.05E-08	-0.887517	0.3938
D(INF)	-0.422999	0.153047	-2.763853	0.0184
D(IAD)	2.46E-08	1.60E-08	1.538864	0.1521
D(IAD(-1))	-2.20E-08	1.90E-08	-1.159490	0.2708
D(EXP)	-7.29E-14	2.16E-12	-0.033782	0.9737
D(EXP(-1))	-2.21E-12	2.12E-12	-1.041242	0.3201
D(IMP)	1.23E-08	4.80E-09	2.562902	0.0264
D(IMP(-1))	1.14E-08	3.71E-09	3.071213	0.0106

Source: An analysis by the author due to secondary data

The table above shows the calculation of ARDL long-run effect between the variables and the results indicates that there is long-run effect between GDP(-1) and economic growth in Uganda, this result indicates that the p-value indicate less than the significant level with the value (0.0662) and we can the H₀. The result also reveals in the long-run that there is a negative between FDI(-1) and economic in Uganda with value of coefficient (-4.17E-08), but this was found statistically insignificant. So we have no evidence to reject the null hypotheses.

The table also shows that there is a negative effect between INF (-1) and other variables of the study in the long-run, and this result statistically support, so that means we can reject H₀. The data shows that there is positive long term effect between IAD(-1) and economic growth in Uganda, and this result statistically support, so that mean we can reject the null hypotheses. The

exports have negative effect in long-run with economic growth in Uganda, this results were found statistically support. So that we can reject the H0.

The result shows the imports have positive effect in long term with Uganda economic, but this results statistically insignificant and we fail to reject H0, because the p-value was found with the value of 0.2650, which greater than level of significance. According to the findings of the tests, D(IMP) and its inverse, D(IMP(-1),) have long-term impacts, and the conclusion reached is statistically significant. As a result, we can reject hypothesis H0. Due to the fact that imports have a significant short-term influence on log D(IMP) and log D(IMP(-1)).

Table 4.8 F-Bounds Test

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	8.422230	10%	2.08	3
K	5	5%	2.39	3.38
		2.5%	2.7	3.73
		1%	3.06	4.15
			Finite Sample: n=35	
Actual Sample Size	28	10%	2.331	3.417
		5%	2.804	4.013
		1%	3.9	5.419

Source: An analysis by the author due to secondary data

The F-Bounds Test was performed to determine the correlations between the variables in the study, as shown in the table above. The study's findings were as follows: The F value was 8.422230, which exceeds the 1(0) bound, and so we can reject the "H0" hypothesis, which claims that there is no correlation between the variables.

4.6 ARDL Diagnostic tests

Tests for serial correlation and heteroskedasticity were conducted using the Breusch-Godfrey Serial Correlation (LM) and ARCH tests, respectively.

Table 4.9: ARDL Diagnostic tests

ARDL Diagnostic tests		
Test	Null hypothesis	Prob.**
LM Test	No, Serial Correlation	0.1622
ARCH	No Heteroskedasticity	0.4432
Ramsey test	There is no a problem	0.1071

Source: An analysis by the author due to secondary data

Table above shows the ARDL diagnostic test, and the results show that there is no Heteroscedasticity problem with the data because p-value was found 0.4432. Since the corresponding probability value is greater than 5% we cannot reject the null, which indicates that our variables are non-constant. The diagnostic check reveals that the model is free of heteroscedasticity and autocorrelation, implying that the two measures are reject at level of 5%. Furthermore, the normality and Ramsey test reveals that correct and that the distribution is normal.

4.7 Granger Causality

Using the Granger causality test, one may decide whether or not a one-time series can be used to estimate another time series based on the facts of the theory. There are "basic" linkages between time series, which Granger (1969) defined as those that may be used to anticipate future gains in one period by looking at gains in the preceding period. "Prescient causality" is the only kind of causation that the Granger test can reveal. In part, this is because the concept of "actual causality" and the notion that the occurrence of one event before another may be used to establish causality are both deeply philosophical. The Granger Causality test, which the researchers devised, was used to determine the direction of the study's variables. A correlation between foreign aid and economic growth in Uganda is shown by the statistics.

Table 4.10: Granger Causality test

Null Hypothesis:	Obs	F-Statistic	Prob.
FDI ————— GDP	30	0.00898	0.9252
GDP ————— FDI		7.57980	0.0104
INF ————— GDP	30	0.94538	0.3395
GDP ————— INF		0.53776	0.4697

IAD	GDP	30	7.33812	0.0116
GDP	IAD		3.96485	0.0567
EXP	GDP	30	2.15534	0.1536
GDP	EXP		1.60356	0.2162
IMP	GDP	30	2.33384	0.1382
GDP	IMP		8.40114	0.0074
INF	FDI	30	3.39210	0.0765
FDI	INF		0.30584	0.5848
IAD	FDI	30	8.88905	0.0060
FDI	IAD		0.07394	0.7878
EXP	FDI	30	2.07739	0.1610
FDI	EXP		0.06684	0.7980
IMP	FDI	30	0.47907	0.4948
FDI	IMP		9.27749	0.0051
IAD	INF	30	0.12775	0.7236
INF	IAD		0.72307	0.4026
EXP	INF	30	0.56256	0.4597
INF	EXP		1.76862	0.1947
IMP	INF	30	0.48374	0.4927
INF	IMP		1.49342	0.2322
EXP	IAD	30	0.21233	0.6486
IAD	EXP		1.36195	0.2534
IMP	IAD	30	0.00074	0.9786
IAD	IMP		15.4691	0.0005
IMP	EXP	30	0.27155	0.6065
EXP	IMP		1.50744	0.2301

Source: An analysis by the author due to secondary data

According to the table above, granger causality demonstrates that GDP does not cause FDI, but that GDP does cause FDI. This implies that GDP and FDI are related in a single direction and this result statistically supported because p-value was found by (0.0104). Also, the result indicates there is no unidirectional; or bidirectional relationship between inflation and GDP and as well as

exports and GDP. The result also shows that there is bidirectional relationship between Aid and GDP, which implies aid does granger cause with GDP, where GDP does cause aid.

The result shows that there is one side relationship between imports and GDP, which implies that imports cannot cause GDP, but GDP does granger cause. The table above shows that inflation can cause FDI but FDI does not lead inflation and also data indicates that there is same relationship between Aid and FDI, which is unidirectional relationship. When it comes to the relationship between exports and FDI, the result indicates that there no relationship between them whether unidirectional or bidirectional, but there is unidirectional association between imports and FDI, which implies that imports don't lead to FDI, but FDI does lead to granger.

The table above also reveals that there is no unidirectional and bidirectional relationship foreign aid and inflation. Also, there is no granger cause between exports and inflation as well as imports and inflation. The result show that imports does not granger cause with export, but foreign aid does cause imports. When it comes the granger cause between exports and aid, the result shows there is no effect between them because test was seen to be greater than alpha 0.05.

5. DISCUSSION AND CONCLUSION

In line with the literature study, the empirical results are assessed in this section. According to the data analysis, FDI has a negative influence on Uganda's economic growth in both the short and long run, however the p-value is higher than the level of significance and there is no evidence that the null hypothesis can be rejected. According to empirical evidence, Pakistan's economic growth is negatively affected by foreign direct investment, and our results are consistent with this conclusion (Jawaid and Saleem 2017).

Foreign aid is significantly influenced by economic growth, both in the short and long term. When looked at in its short-term context, the aid the coefficient of the variable was positive. of 3.93E, which is statistically significant at the 5% level of significance (p-value of 0.0711) and less than the critical value of 0.05. According to result, a one percent increase in aid in Uganda results in a 3.9 percent gain in GDP, assuming all other factors are equal. In the long run, aid has a statistically significant coefficient of 8.05E, which suggests that a one percent increase in foreign aid will result in an increase in economic growth of 8.05 percent over the long run.

In the long run, aid has a statistically significant coefficient of 8.05E, which suggests that a one percent increase in foreign aid will result in an increase in economic growth of 8.05 percent over the long run. According to the findings of the research, there is a granger cause between aid and GDP, indicating that there is a bidirectional link between the two variables. Foreign aid has a favorable impact on economic growth and poverty reduction. It allows the public sector to spend more money while simultaneously reducing domestic debt. Comparable results have been reported by (Tait et al 2015; Pedroni, 1990; Bwire et al 2017) as well as (Headey, 2008; and Bwire et al 2017).

The results of the study show that inflation and economic growth have a negative relationship in the short and long term, and this relationship is statistically supported because the p-value was found to be less than the level of significance, which means we have evidence to reject the null hypothesis. This is what occurs when prices decrease across the board in a market. This may be due to the fact that the supply of commodities is more than the demand for those things, or it may be because the purchasing power of money has increased. This means that more products and services may be purchased with the same amount of money than previously. Similar findings

have been observed in other studies, including (Michael Sarel's, 1996; Khan et al., 2001; Tamma Koti Reddy et al, 2020).

There is a negative association between Uganda's economic growth and exports, with a coefficient of (-5.34E) in the short-term and (-3.20E) in the long-term, which suggests that raising one percent of exports would result in a decline of 5.34 percent of Uganda's GDP. Negative net exports are indicative of a trade imbalance in the nation. As a result, net exports are included in a country's overall trade balance. Uganda must improve its trade balance since increased exports lead to increased investment, technological innovation, and import growth, all of which contribute to economic development. Economic growth may be aided by promoting technology adoption and increasing imports that are used as inputs for export-oriented industries. This may result in further export expansion. According to Faridi, M. Z (2012), found that agricultural exports have a negative and significant influence on economic growth. There are some empirical studies that found that exports had a positive influence on the economy, which is in opposition to the conclusions of this study. (Nidugala, 2000).

Imports have a positive influence on the Ugandan economy in both the short and long term, and this is statistically significant. Imports contribute to the growth of national economies and the expansion of the global market by bringing in commodities from other nations. When importing goods, it is frequently possible to obtain a superior quality of life by acquiring items that are less expensive or provide more possibilities. As a highly import-dependent economy, Uganda a heavy reliance on capital goods such as machinery and equipment rather than direct consumables such as food and medicines, which have traditionally been the country's primary imports for many decades. Increasing imports of intermediate goods and capital that are not available on the local market, according to certain theories, may lead to an increase in manufacturing productivity, which in turn leads to economic growth. According to the researchers' results, there is a substantial relationship between imports and economic expansion. (Lee, 1995; Sun & Heshmati, 2010). As a consequence, the findings of various investigations, including those conducted by (Wu Jiying, et al. 2020; Priede 2012; and Mahmoodzadeh and Mohseni 2005).

5.1 Recommendation and Future Studies

Based on the positive correlation between imports and GDP, it is apparent that imports are the primary driver of Uganda's economic growth. Consequently, it is recommended that Uganda's

government improve its import policies by fostering non-direct consumption imports that are employed in the production of items that Uganda's excess supply may be sold. The advice of this research for governments is to invest foreign aid in such a manner that it helps effectively to the growth of Uganda's Gross Domestic Product (GDP). This will contribute to the alleviation of poverty and the development of economic well-being in the country. Based on the findings of this study, this research recommends that steps be done to prevent the mismanagement and abuse of foreign aid in the country, since doing so will result in greater economic growth.

According to the conclusions of this research and other studies, foreign aid should be focused on education, health, and physical capital, all of which have been shown to have a favorable influence on growth. As a means of assisting these individuals, international aid should be targeted or concentrated in these regions. The research concludes that Uganda's government should maintain careful monetary, financial, and fiscal policies in order to mitigate the negative effects of inflation on its economy and residents' well-being. The implementation of an accommodating monetary policy, as well as policies to encourage private sector company growth and public sector investment, should all be prioritized in order to keep inflation under tight control. Recently accumulated empirical data, on the other hand, suggests that the link between inflation and growth is nonlinear, with inflation having growth-inhibiting effects over a specific level but growth-enhancing benefits below that threshold. Following the findings of this research, future studies should include a complete review of the threshold level in the country under consideration.

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