ECONOMIC FACTORS AND PERFORMANCE OF AGRO-INPUT DEALERS IN KAMPALA CAPITAL CITY, UGANDA

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DECLARATION

I, Omiat Emmanuel Gilbert (12/MBA/8/041) declare that this Dissertation entitled; "Economic Factors and Performance of Agro-input Dealers in Kampala Capital City, Uganda**"** is my original work and has never been submitted to any University or tertiary institution for any award. I have acknowledged any literature cited in this work.

Signature……. Date…….

OMIAT EMMANUEL GILBERT

APPROVAL

I certify that this Dissertation by Omiat Emmanuel Gilbert titled "Economic Factors and Performance of Agro-input Dealers in Kampala Capital City**,** Uganda" has been under our supervision and is now ready for submission to higher degrees committee of Uganda Management Institute for examination.

Signature…….. Date……...

Dr. Sylvester Kugonza, P. K

Signature……. Date…….

Dr. Wilberforce Turyasingura

DEDICATION

This dissertation is dedicated to my family, my beloved mother, brothers and sisters who encouraged me to strive on and who always challenged me to complete this course; and to my late brother and Dad.

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I would like to acknowledge immensely the following people who in many ways contributed to completion this piece of work. I am indebted to my supervisors Dr. Sylvester Kugonza, P. K and Dr. Wilberforce Turyasingura for their patience, inspiration and encouragement, thank you for your simplicity in the way you explained difficult concepts.

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Lastly and most important I thank the Almighty God for the good health, courage, knowledge and wisdom that has enabled me reach greater heights.

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ABSTRACT

This study examined the Economic Factors that influence the Performance of Agro-input Dealers in Kampala Capital City, Uganda. The study objectives were: to determine the extent to which interest rate affects performance of agro-input dealers in Kampala Capital City, Uganda; to establish the extent to which inflation affects performance of agro-input dealers in Kampala Capital City, Uganda and to determine the extent to which exchange rate affects performance of agro-input dealers in Kampala Capital City, Uganda.

The study employed a cross sectional design incorporating both quantitative and qualitative methods to data collection with a sample size of 36 respondents derived using Morgan and Krejcie (1970) from a target population of 40 Agro-input dealers in Kampala capital City. Data collected was first edited manually, coded then entered into SPSS version 17 for electronic cleaning and data analysis. The objectives of the study were analyzed using the Factor Analysis.

From the results, interest rates, inflation and exchange rates were statistically significant in explaining performance of Agro-input Dealers in Kampala Capital City. Interest rates and performance of Agro-input Dealers were negatively correlated (-0.605) with p-value (0.007); inflation and performance of Agro-input Dealers were negatively correlated (-0.730) with p-value (0.004) and exchange rate and performance of Agro-input Dealers were negatively correlated (-0.701) with p-value (0.001).

The study concluded that interest rates, inflation and exchange rate are vital factors explaining variations in performance of Agro-input Dealers. From the study, it is recommended that government of Uganda through Bank of Uganda should lower and control the interest rates charged on borrowed funds, continue targeting inflation to keep it in check and monitor the exchange rates and if necessary intervene to stabilize it.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The study examined the economic factors that influence the performance of agro-input dealers in Uganda. The study focused on Kampala District as a case study area. Economic factors were considered as the independent variable while performance of agro-input dealers was considered as the dependent variable. Economic factors were measured in the form of interest, inflation and exchange rates. The dependent variable studied was performance of agro-input dealers, which was indicated by profitability of the agribusiness enterprises, and customer care and satisfaction. This chapter covers background to the study, statement of the problem, general objective of the study, specific objectives of the study, research questions, hypotheses of the study, scope of the study, significance of the study, justification and operational definition of terms and concepts.

1.2 Background to the Study

The background to this study is presented in the form of historical background, theoretical background, conceptual background and contextual background.

1.2.1 Historical background

Timely availability of critical farm inputs helps to increase farm productivity, and their optimum use helps to maintain environmental and economic balance. Hence, agro-input dealers can play major role in ensuring farmers' access to agricultural inputs and environmental security because they serve as the closest body to farmers (Argade, *et al*., 2015). The gender of the agro-input dealer has an influence on the kind of support services that agro-input dealer offers to farmers. Women agro-input dealers were more involved in extension activities as compared to men agro-

input dealers. Hence, women agro-input dealers could be the best option for providing service support to the farmers and sustaining environmental security through eco-friendly farm input supply (Argade, *et al.*, 2015). A study by Shelake *et al.*, 2015 revealed that in respect of training needs, majority (63.75 %) agricultural input dealers expressed training needs on various aspects of fertilizer, seed, pesticides, machinery and implements, animal feed and chemicals and their use. In running the agricultural input centers, the study also revealed that agricultural input dealers had faced the problem of availability of labour, economic problem involving delay in effecting payment by farmers towards the purchase, transportation and competition with other input dealers. Agriculture remains the economic back bone of most African countries.

In Uganda, 83% of the population is engaged in agricultural production and the sector contributes 41% of the National Gross Domestic Product (GDP), 78% of the export earnings and employs over 90% of the labourforce, yet the country still remains one of the poorest countries in the world with a per capita GDP of US$ 270 (UBOS, 2016). Any strategy geared towards addressing the general problem of poverty should thus be given due consideration (Walekhwa, 2003). Among the promising strategies to tackle the problem of a general poverty is the transformation of agriculture from subsistence to commercial agriculture. This will increase the volume of the marketed output thereby increasing household incomes (Plan for Modernization of Agriculture, 1999). The growth and development of agribusiness small scale enterprises (SSEs) could therefore be an important vehicle for the subsistence farmers to orient their production towards the market and earn higher incomes. However, for SSEs to make this important contribution to the economy, they must expand their output and have sufficient working capital for the purchase of supplies and inventories (Otero and Rhyne, 1999).

Many agribusiness SSEs are constrained by inadequate capital, yet capital is very crucial for them to expand and improve incomes. In Uganda, most formal credit policies discriminate against small scale agribusiness enterprises because of the risky nature of agriculture, high transaction and supervision costs and lack of collateral, distance to urban-based formal financial institutions, lack of familiarity with banking procedures among other factors (Ayoki, 2005; Kizza, 1999). This has widened the intermediary gap between SSEs and financial institutions. To fill this intermediary gap, there has been the emergence of Microfinance Institutions (MFIs). MFIs though still in their infancy, are now seen as one of the most promising financial institutions to micro-enterprises (Kizza, 1999).

1.2.2 Theoretical background

The study was guided by the Keynesian theory of investment developed by John Maynard Keynes (Keynes, 1936). The Keynesian theory of investment places emphasis on the importance of interest rates and inflation in investment decisions. However, other factors that include expected profitability of an investment project also enter into the model. This theory will be used to identify the economic variables of the study. The Keynesian theory of investment is appropriate for this study because it is dominated by the idea of marginal efficiency of capital and the idea of liquidity preference. These deal, respectively, with investors expectations of return and the cost against which that return must be measured before a decision to commit capital funds can be taken. In the Keynesian system, what is important is not the return on existing assets but the return expected at the margin as a consequence of the expansion of the capital stock. Expectations become primary in the chain of causality in respect of investment.

Keynesian Theory of investment also rests upon liquidity preference, which is important in this study because it concerns the rate of interest. Keynes identified three basic motives for holding

cash in the general theory, namely, the transactions motive, the precautionary motive and the speculative motive. However, it is only the speculative motive that is concerned with changes in interest rates. The transactions demand for cash is predominantly a function of income, and so too, essentially is the precautionary demand for it. With the speculative motive, cash balances are varied according to expectations regarding security prices. If these are expected to decline, the demand for liquidity will increase and vice versa, other factors being constant.

The excess-demand theory of inflation ideas evolved from Keynes-Smithies ideas on inflation, which is basically the inflation gap model. The Keynesians argued that, excess demand for goods and services result in inflation which is in line with the monetarist theory, but they differ in respect to what generate the excess demand in the economy. For the Keynesian, excess-demand is the result of increases in aggregate demand in the economy rather than just increases in money supply. They argued that, money supply is only one of the components of aggregate demand and therefore cannot solely be responsible for increases in the general price level; rather it is aggregate demand that entirely influences inflationary situations in a country. Keynesians believe that, factors that influence aggregate demand in the economy (money supply inclusive) are responsible for the persistent rise in price levels in an economy (Friedman, 1956)

The study also relied on the Interest Rate Parity (IPR) theory as argued by Bleaney, and Fielding, (2002), states interest rate differentials between two different currencies will be reflected in the premium or discount for the forward exchange rate on the foreign currency if there is no arbitrage---the activity of buying shares or currency in one financial market and selling it at a profit in another. The theory further states size of the forward premium or discount on a foreign currency should be equal to the interest rate differentials between the countries in comparison (Bleaney, and Fielding, 2002). The theory of interest rate parity, relates the difference between

foreign and domestic interest rates with the difference in spot and future exchange rates. This parity condition states that the domestic interest rate should equal the foreign interest rate plus the expected change of the exchange rates. If investors are risk-neutral and have rational expectations, the future exchange rate should perfectly adjust given the present interest-rate differential. For example, if the differential between one-year dollar and pound interest rates is five percent with the pound being higher, risk neutral, rational investors would expect the pound to depreciate by five percent over one year thereby equalizing the returns on dollar and pound deposits. If the exchange rate did not adjust, then arbitrage opportunities would exist. Consequently, the current forward rate should reflect this interest rate differential as a forward contract locks in the future exchange rate.

1.2.3 Conceptual background

Investment is defined as the purchase or creation of assets with the objective of making gains in the future. Typically, investment involves using financial resources to purchase a machine or building or other asset, which will then yield returns to an organization over a period of time. Investment decisions pertain to: (a) whether or not to undertake an investment, (b) how to make choice between alternative investment projects and (c) how to find the optimum level of investment (Dwived, 2008). Freser (1994) defined effectiveness as a measure of the match between stated goals and their achievement. It is always possible to achieve 'easy', low-standard goals.

Interest rates are important sources of revenue to commercial banks but affect owners' investment decisions. Interest rates going on in lending uncertain in the business enterprise for the reason that repayment of loans can rarely be fully assured. The potential of loan borrowers on the way to reimburse their loans is significant and difficulty in consideration. Borrowers can

reimburse their loan or otherwise make a decision in the direction of defaulting. Borrower defaults may possibly be unpaid or unintentional (Fufa, 2008).

Exchange rate is the price of one currency in relation to another or in a slightly different perspective, it expresses the national currency's quotation in respect to foreign ones (Otani, Shiratsuka and Shirota, 2003). Thus, exchange rate is a conversion factor, a multiplier or a ratio, depending on the direction of conversion. It is believed that if exchange rates can freely move, it may turn out to be the fastest moving price in the economy, bringing together all the foreign goods with it. Exchange rates are modeled as forward-looking relative asset prices that reflect unanticipated change in relative demand and supply of domestic and foreign currencies, so exchange rate volatility reflects agents 'expectations of changes in determinants of money supplies, interest rates and incomes (Omojimite and Akpokodje, 2010).

One way to measure business success is to assess the performance of individuals, which in turn could serve as an input to estimate an organization's current overall performance as well as future performance. A study involving small-scale entrepreneurs in Singapore (Meng & Liang, 1996) disclosed that as many as 70% of respondents use net profit growth to measure business success, followed by sales revenue growth (61%), return on investment (50%), and market share (48%). The study further showed that 38% of entrepreneurs using the net profit criterion acknowledged that a growth of 6%-10% per annum is an indicator of business success. Business success is examined from three perspectives, namely learning and growth, financial, and internal business process. Learning and growth is measured by employees' satisfaction, the financial aspect is measured by increases in company assets, and the internal business process is measured by increase of production volumes, improvement of physical working condition, and business expansion.

1.2.4 Contextual background

The study on Economics factors and performance of agro-input dealers was conducted in Kampala Capital City (KCC) in Uganda. In KCC, agro-input dealers operate at both retail and whole sale level of agribusiness. The agro-input enterprises in Kampala Capital City are predominantly located along Nakivubo Road, from where farmers and other agro-input stockists and agents from other parts of Uganda purchase agro-inputs. The major agro-inputs dealt in here are seeds, fertilizers, agro-chemicals, as well as farm tools and machinery. Agribusiness enterprises and agro-input dealers in particular are among the several Small and Medium Sized Enterprises (SMEs) in Uganda. Uganda's private sector is dominated by SMEs which account for 95 percent of the entire business community.

SMEs have operational and structural challenges. Obstacles that affect SME's ability to favourably compete include limited information on financing products and an inadequate and expensive supply of power and telecommunications (Hategа, 2007). Ugandan SMEs lack information, experience, and networks needed to compete in the world of economic giants (Kigozi, 2006). In Uganda, SME operations are mainly in the Agriculture, Services and Manufacturing sectors. The agriculture sector provides ideas for generic agribusiness investment opportunities, and as well, links to organizations which can provide agro-input dealers with specific investment opportunities.

1.3 Statement of the Problem

Keynes theory of investment is dominated by the idea of marginal efficiency of capital and liquidity preference as they concern the expected return at the end of the margin and the rate of interest respectively. For business to thrive there must be low interest rate and high profitability. Economic growth is important if businesses are to grow and prosper. Economic growth depends

on productivity and investment: using existing resources more efficiently and investing in new resources. In the context of agro-inputs dealers and Kampala Capital City in particular, economic incentives have been arranged by Government of Uganda to improve business performance. This is for example by giving low interest rate agribusiness loans to farmers by commercial banks.

Efforts to boost agribusiness have been made by both the government of Uganda and the private sector such as the Agricultural Business Initiative (aBi) Trust, Uganda National Agro-input Dealers' Association (UNADA), Uganda National Farmers' Federation (UNFFE). aBi Trust provides support towards: increased demand and availability of farm inputs through creation of awareness on benefits of agro-inputs (seeds, herbicides) to farmers and processors, and support to suppliers to improve supply of agro-inputs by developing a distribution system; building their capabilities to become competitive in the market through promotion of products, provision of market information as well as collective marketing (www.abitrust.com). On the other hand, UNADA provides professional support and networking among agro-input dealers, business development training programmers for agro-input dealers as well as raising awareness on the issues of counterfeit and illegal products throughout the supply chain and food value chain (www.unada.org).

Uganda's economy grew at an average GDP growth of 7.8 percent between FY 2005/06 and FY 2010/11, and slowed down to 3.2 percent in FY 2011/2012 as a result of high global oil and commodity prices, drought, power shortages, exchange rate volatility and high inflation levels (MoFPED, 2012). Although agriculture remains very critical for spurring national growth, the share of agriculture in total GDP has declined over the years from 23.8 percent in FY 2003/04 to 13.9 percent in FY 2010/11. Whereas the industrial and services sectors have in some years hit a

10% growth rate, the growth in the agricultural sector has consistently remained dismal at 3% (Ibid).

The growth of the agricultural sector is still below the National Development Plan (NDP) annual growth target of 5.6 percent and the 6 percent growth rate that is required for effective poverty reduction. Research by IFPRI (Benin, 2007) demonstrated that if agriculture in Uganda grew at 6 percent per annum, the national poverty headcount level would decline from 31.1 percent in 2005 to 19.9 percent in 2015, below the 28 percent Millennium Development Goal (MDG) target. Uganda's agricultural growth rate is also below the 6 percent annual growth target of the African Union's Comprehensive Africa Agricultural Development Program (CAADP) (NEPAD, 2015).

Despite the above efforts to boost agribusiness, performance of agro-input dealers is still low. Uganda is ranked second highest in terms of business startups in a year but with one of the highest business failure rate in the world (Global Entrepreneurship Report, 2004). Extant literature does not mention the extent to which economic factors influence performance of agro-input dealers in Uganda, which gap was identified to guide this study. This study therefore investigated the economic factors and performance of agro-input dealers in Kampala Capital City, Uganda.

1.4 General Objective of the Study

The general objective of the study was to investigate the economic factors and performance of agro-input dealers in Kampala Capital City, Uganda.

1.5 Specific Objectives of the Study

The study was guided by the following specific objectives:

i. To determine the extent to which interest rate affects performance of agro-input dealers in Kampala Capital City, Uganda.

ii. To establish the extent to which inflation affects performance of agro-input dealers in Kampala Capital City, Uganda.

iii. To determine the extent to which exchange rate affects performance of agro-input dealers in Kampala Capital City, Uganda.

1.6 Research Questions

The study was guided by the following research questions:

i. To what extent does interest rate affect the performance of agro-input dealers in Kampala Capital City, Uganda?

ii. To what extent does inflation affect the performance of agro-input dealers in Kampala Capital City, Uganda?

iii. To what extent does exchange rate affect the performance of agro-input dealers in Kampala Capital City, Uganda?

1.7 Hypotheses of the Study

In this study, the intended hypotheses were:

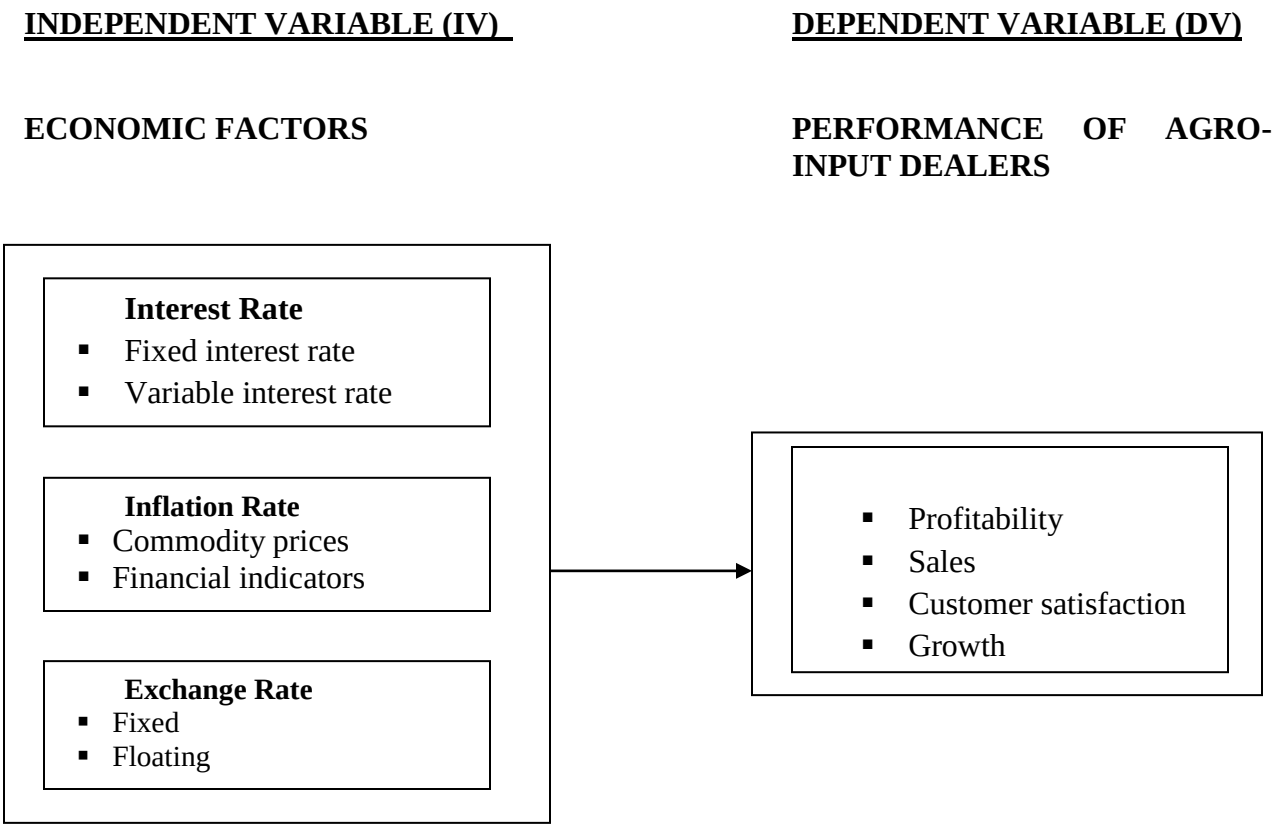
H0: Interest rate affects the performance of agro-input dealers in Kampala Capital City, Uganda.

H0: Inflation affects the performance of agro-input dealers in Kampala Capital City, Uganda.

H0: Exchange rate influences the performance of agro-input dealers in Kampala Capital City, Uganda.

1.8 Conceptual Framework

The conceptual framework (Figure 1.1) illustrates the direct relationship between economic factors and performance of agro-input dealers. Performance of agro-input dealers was measured in terms of the firm's profitability over a time period, as well as customer care and satisfaction. Keynes argued that profit expectations and the degree of confidence or weight that managers place in their profit forecasts determine investment. The Keynesian theory of investment places emphasis on the importance of interest rates in investment decisions. But other factors also enter into the model not least the expected profitability of the business.



Source: Dwived (2008) with modification by the researcher.

Figure 1. 1: Conceptual Framework of Economic factors and Performance of Agro-input dealers.

Interest rates, inflation rates, and exchange rates are all highly correlated. By manipulating interest rates, Central Banks exert influence over both inflation and currency values. Higher interest rates offer lenders in an economy a higher return on their investment though it impacts heavily on the borrowers who have to pay back huge sums of money in form of interests accruing on the borrowed funds. The opposite relationship exists for decreasing interest rates-that is; lower interest rates tend to decrease exchange rates.

Previous studies mainly concentrated on differences in individual investing pattern on the basis of gender. Difference on the basis of age in investment pattern is a new avenue for research. Women's investment has historically been lower than men's for several reasons, including social and various demographic concerns. However the differences continue to be significant even after controlling for individual characteristics (Schmidt and Sevak, 2006).

1.9 Significance of the Study

The study findings may help agribusiness entrepreneurs to assess the future survival of their business and devise mitigation measures in the event of indicators of future failure.

The study findings may help Potential agribusiness partners understand the impact of economic factors on agribusiness investments may enable potential agribusiness partners to assess the future success of their business venture.

The findings from this study may guide policy makers both in the public and private sectors to formulate economically and socially acceptable policies on the basis this study findings.

The findings from this study could form a basis for further research by those interested in agribusiness. This is more so by focusing on the knowledge gaps requiring further research that this study will identify and point out.

1.10 Justification of the Study

Uganda is ranked second highest in terms of business startups in a year but with one of the highest business failure rates in the world (Global Entrepreneurship Monitor Uganda, 2004). There is therefore need to establish what exactly determines the business startup and the initial running of Small and Medium Scale Enterprises (SMEs) in Uganda. The National Agricultural Research Organisation (NARO) conducts agricultural research and disseminates findings and innovations to farmers and agribusiness entrepreneurs in Uganda. Institutions like Uganda Investment Authority (UIA), Private Sector Foundation Uganda (PSFU), Uganda Small Scale Industries Association (USSIA), Uganda Manufacturers' Association (UMA), and National Agricultural Advisory Services (NAADS) do promote businesses through SMEs, including agribusiness as well. Despite this, there is still a high failure rate in agribusiness. This high failure rate has a negative impact on economic growth as employment opportunities are lost and thus incomes reduce leading to poverty and instability in the economy. Findings from this study will suggest policy guidelines which could contribute to improvement in agribusiness and agricultural productivity, as well as food security. But little literature exists regarding the economic factors and performance of agro-input dealers in Kampala Capital City, Uganda. The study therefore intended to fill this knowledge gap. There is therefore need to understand the economic factors influencing the performance of agro-input dealers so as to inform the stakeholders and formulate policies from an informed point of view.

1.11 Scope of the Study

In this study, the scope has three dimensions, namely: the geographical area, content of the study, and time frame that will be covered under the study.

1.11.1 Geographical Scope

The area of study covered agro-input dealers sampled from within Kampala Capital City, and the economic factors influencing their performance. To effectively capture the economic factors influencing performance of the agro-input dealers, enterprises dealing in assorted agro-inputs were interviewed; and their responses analyzed to arrive at logical conclusions and recommendations.

1.11.2 Content Scope

The study investigated the economic factors and the performance of agro-input dealers in Uganda. In this study, the economic factors, namely interest rate, inflation, and exchange rate constituted the independent variable. The dependent variable studied was the performance of agro-input dealers which was indicated by their profitability and customer care and satisfaction. As indicated in the conceptual framework, each of these variables had indicators that were investigated in order to successfully answer the research questions.

1.11.3 Time Scope

The time scope of the study was from 2005 to 2015. This period fell within the period when government of Uganda supported agricultural enterprises through the National Agricultural Advisory Services (NAADS) and the currently ongoing Operation Wealth Creation (OWC) programmes.

1.12 Operational Definitions

Agribusiness: in this study, means a sector that includes the sum total of all operations involved in: the manufacturing and distribution of farm supplies; production operations on the farm; and storage, processing and distribution of farm commodities and items made from them.

Agribusiness enterprise: in this study refers to off-farm income earning activities involving agricultural products (farm commodity or final processed products).

Interest: in this study refers to the excess amount paid or received on acquiring, using or renting out money or capital.

Interest rate: in this study refers to a price quoted for using a financial service expressed as a percentage on principal amount of loan or savings as applicable determined by the interest rate policy as a best practice.

Fixed interest rate: in this study refers to the interest rate which does not fluctuate during the fixed period of the loan, thereby allowing the borrower to accurately predict their future payments.

Variable interest rate: in this study refers movements in interest over time. Variable interest rates are generally used by financial institutions to move the rates on their products up and down as market conditions change.

Investment: In this study, investment was considered to mean the purchase of or creation of agribusiness assets with the objective of making future gains.

Investment decision: For the purpose of this study, investment decision refers to whether or not to undertake an investment.

Seed: Is any part of a plant which when planted is capable of growing into a new and normal plant with desired genetic characteristics.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the theoretical review, conceptual review and summary of the literature review will be presented. The literature review covers aspects of the economic factors and performance of agro-input dealers. Secondary literature sources on the key variables will be presented in this chapter. This study will be laid out in accordance with the objectives of the study and specifically focusing on theoretical review of economic factors and performance of agro-input dealers. This chapter will present the literature reviewed in a chronological order of the study objectives.

2.2 Theoretical Review

The study was guided by the Keynesian theory of investment developed by John Maynard Keynes (Keynes, 1936). The Keynesian theory of investment places emphasis on the importance of interest rates and inflation in investment decisions. However, other factors that include expected profitability of an investment project also enter into the model. This theory was used to identify the economic variables of the study. According to Lesotho (2006), the study of the determinants of private investment has been afforded extensive detail in formal investment models based on the experience of developed countries. Chirinko (1993) provides some highlights into the different forms of some of these theoretical models. As stated by Ghura and Goodwin (2000), there are four general approaches to modeling investment common in the existing investment literature. These broad categories include the neoclassical model which they associate with Jorgenson (1971); Tobin's Q model which they associate with Tobin (1969); the

flexible accelerator model which they associate with Keynes (1936) and the expected profitability model which has a number of variants.

According to Crotty (1994), while both Keynesian and New Keynesian theory can explain the existence of insufficient credit, only Keynes's dynamic theory can explain why there might be too much credit. His theory of expectation formation incorporates a dynamic process of speculative excess participated in by borrowers and lenders that can push financial asset prices and loan volume so high (and liquidity and safety margins so low) that they cannot possibly be permanently sustained by future cash flows. Also, there is a wedge between internal and external funds; ceteris *paribus*, management will prefer the former to the latter. In addition, *ceteris paribus*, the lower the firm's debt-equity ratio the greater its desired level of investment. A highly leveraged firm will not be willing to absorb the additional risk inherent in the investment process. Finance and investment are indeed linked (Crotty, 1994).

According to the Neoclassical Theory, a firm's desired capital stock determined by factor prices and technology. Cash flows and other financing variables play no direct role in the theory. The desired or optimal capital stock is proportional to output and the user cost of capital; and hence only price variables like capital goods, the real rate of interest, the rate of depreciation and the tax structure. Therefore, an investment equation results from the gap between desired capital and the actual capital stock (Chirinko, 1993).

The General Equilibrium Theory of investment is associated with Tobin (1969). According to the Economics Theory of Investment behaviour, 'q' represents the ratio of the market value of a firm's existing shares (share capital) to the replacement cost of the firm's physical assets (thus replacement cost of the share capital). It states that if q (representing equilibrium) is greater than

one (q>1), additional investment in the firm would make sense because the profits generated would exceed the cost of firm's assets. If q is less than one (q<1), then the firm would better sell off all its assets instead of trying to put them to use. The ideal state is where q is approximately equal to one, denoting that the firm is in equilibrium. Hence, the ratio of the market value of the existing capital stock to its replacement cost (the Q ration) is the main force driving investment (Chirinko, 1993; and Ghura and Goodwin, 2000). That is to say, enterprises will want to invest if the increase in the market value of an additional unit exceeds then replacement cost.

The Flexible Accelerator Model assumes the existence of equilibrium, optimal, desired or long-run stock of capital required to produce a given output for a given technology, rate of interest and so forth (Gujarati, 1988). The required capital is represented by $K_t^* = \beta_1 Q_t$ where K_t^* is the desired mining capital stock in period t, and Q_t is current mining output in product t. The basic notion behind the flexible accelerator model is that the larger the gap between the existing capital stock and the desired capital stock, the greater a firm's investment (Ghura and Goodwin, 2000). The hypothesis is that firms plan to close a fraction of the gap between the desired capital stock K*, and the actual capital stock K, in each period (Chirinko, 1993). Within the framework of the accelerator model, output, internal funds, cost of external financing and other variables may be included as determinants of K* (Chirinko, 1993).

The expected profits model has a number of variants. The profit theory proposes that the greater the gross profits, the greater will be the level of internally generated funds and in turn the greater will be the rate of investment (Zebib and Muoghalu, 1998). There are theories hinging on profits or profits earned by business units and industries instead of output (Chirinko, 1993). This analysis of profit and investment relationship has several variants, one of which is that

investment is affected by current profits, the amount of retained profits, or by other variables like output, price and sales, which reflect the profits (Chirinko, 1993).

The Social Cognitive Theory provides a framework for understanding, predicting and changing human behaviour. The Theory identifies human behaviour as an interaction of personal factors, behaviour, and environment (Bandura, 1977); Bandura, 1986). In the model, the interaction between the person and behaviour involves the influences of a person's thoughts and actions. The interaction between the person and the environment involves human beliefs and cognitive competencies that are developed and modified by social influences and structures within the environment. The third interaction, between the environment and behaviour, involves a person's behaviour determining the aspects of their environment and in turn their behaviour is modified by that environment. According to Jones (1989) ''the fact that behaviour varies from situation to situation may not necessarily mean that behaviour is controlled by situations but rather that the person is construing the situations differently and thus the same set of stimuli may provoke different responses from different people or from the same person at different times.

The Human Capital Theory is concerned with knowledge and experiences of small-scale business owners. Human capital theory studies usually assume that experiences translated into knowledge and skills. This assumption is problematic, however, because length of experience is not necessarily a good indicator of expertise (Sonnentag, 1995).

2.3 Empirical Literature Review

In this study, economic factors will be considered as the independent variable while performance of agro-input dealers will be the dependent variable. Economic factors will be indicated by

interest rate, inflation rate and exchange rate. The performance of agro-input dealers will be measured in terms of their business profitability, and customer care and satisfaction.

2.3.1 Interest Rate and its effect on performance of agro-input dealers

The neoclassical view is that real interest rates are expected to affect private investment negatively since higher interest rates raise the user cost of capital and therefore reduce investment (Ndikumana, 2000). On the other hand, the Mckinnon-Shaw hypothesis states that interest rates affect private investment positively (Agrawal, 2001). Theoretically, interest rates should be a crucial variable. However, the insignificant effect of interest rates on investment has been a common and often problematic finding in much empirical work (Shafik, 1992). Several explanations have been proposed in the literature to explain why it is not possible, in most cases, to obtain a significant coefficient for the cost of funds when in theory the interest rate should be a crucial variable. These include uncertainty about interest rates of return, unsophisticated investment decision procedures, the long time frame of investment decisions compared to short-run fluctuations in interest rates, the possibility that changes in borrowing costs are overshadowed by variations in demand (Shafik, 1992).

2.3.2 Inflation Rate and its effect on performance of agro-input dealers

The effect of inflation on investment occurs directly or indirectly. Inflation increases transactions and information costs, which directly inhibits agribusiness performance. For instance when inflation makes nominal values uncertain, investment planning becomes difficult. Individuals may be reluctant to enter into contracts when inflation cannot be predicted making relative prices uncertain. This reluctance to enter into contracts over time will inhibit business investment which will affect economic growth. In this case, inflation will inhibit agribusiness and could result in recession (Hellerstein, 1997). In an inflationary environment, intermediaries will be less eager to

provide long-term financing for capital formation and growth. Both lenders and borrowers will also be less willing to enter long-term contracts. High inflation is often associated with financial repression as governments take actions to protect certain sectors of the economy.

Inflation affects investment in several ways, mostly inhibiting business growth. The source of inflation is money and the supply of it. Investors need to be able to expect returns in order for them to make financial decisions. If people cannot trust money, then they are less likely to engage in business relationships. This results in lower agribusiness investment, production and less socially positive interactions. Among other effects, people may start to attempt to trade by other less efficient means in order to avoid the unpredictable price levels due to inflation. Alternatively, anticipated high inflation raises the cost of acquiring capital and thus lowers capital accumulation (Rossiter, 2002). Also, high inflation rates are an indicator of macroeconomic instability, which can have adverse impact on investment (Oshikoya, 1994).

2.3.3 Exchange Rate and its effect on performance of agro-input dealers

An exchange rate depreciation (appreciation) stimulates (dampens) investment by enhancing in both the domestic and export markets, but it reduces (increases) investment because of the increasing cost of imported intermediate goods and the user cost of capital. The effect of the exchange rate on investment can be considered in two ways: the demand side and the supply side. The main demand side effects are a reduction in private sector real wealth and expenditure, due to the impact of the rise in overall price level on the real value of private sector financial assets (Ghura and Goodwin, 2000). For these reasons, real devaluation decreases domestic demand, and when the firms face sales binding constraints, the slump in aggregate economic activity may induce firms to reduce investment spending (Froot and Stein, 1991). On the supply side, the effect of exchange rate is ambiguous. On one hand, real depreciation of the currency

raises the cost of imported capital goods, and since a large component of investment goods are imported in developing countries (Ghura and Goodwin, 2000), depreciation lowers investment in the non-tradable goods sector. On the other hand, devaluation of the exchange rate by raising the profitability of the tradable goods sector would be expected to stimulate private investment in that sector, as suggested by Froot and Stein, (1991). Hence, the larger a firm's export exposure, the more sensitive its investment in response to exchange rate fluctuations. Higher profitability also influences investment decisions either through the availability of the internal funds or the terms of credit (Gilchrist and Himmelberg, 1995).

2.3.4 Profitability and its effect on performance of agro-input dealers

The profit theory proposes that the greater the gross profits, the greater will be the level of internally generated funds and in turn the greater will be the rate of investment (Zebib and Muoghalu, 1998). On the other hand, the disequilibrium approaches views investment as a function of both profitability and demand for output (Chirinko, 1993). The agro-input investment decision takes place in a setting in which firms may be facing current and expected future sales constraints (Serven and Solimano, 1992). Therefore, agribusiness investment depends on both profitability and the prevailing sales constraints, which determine the rate of capacity utilization (Serven and Solimano, 1992).

2.3.5 Effect of Customer care and satisfaction on performance of agro-input dealers

Customer care and satisfaction has a strong positive effect on customer loyalty intentions across a wide range of product and service categories (Gustafsson, 2005). The satisfaction judgment is related to all the experiences made with certain business concerning its products, the sales process, and the after – sale service. Whether the customer is satisfied after purchase also depends on the offer's performance in relation to the customer's expectation. Customers form

their expectation from past buying experience, friends' and associates' advice, and marketers' and competitors' information and promises (Kotler, 2003). Schulze (2002) maintains that customers will return based on how they were treated by the service provider and not on the quality of the product. At the end of the day the customer care programme should be constructed to maximize customer loyalty (Dorrian, 1996).

Both Dorrian (1996) and Cheales (2001) emphasise that if the business is not measuring the results of the customer care programme, then the business will not know how successful it has been nor will it know how to manage the programme. Carson (1999) supports the notion that using purely quantitative methods to measure a business' success is bound to lead to failure. This is because quantitative methods ignore the psychological aspects of the customer's expectations and experience.

Customer satisfaction is related to customer expectations. Three outcomes can be anticipated, if the product or service meets customers' expectation, then customer satisfaction exists. If it exceeds customer expectation, then there is customer delight. If the product or service goes beyond customer delight, then the customer is surprised (Roberto and Roberto, 2006). Since marketing focuses on the needs and wants of the customers, one of the prime marketing objectives should be to maximize customer's satisfaction (Zeithaml and Bitner, 2003). According to Zeithaml and Bitner (2003), factors that affect customer satisfaction are: product and service features, customer emotions, attributions to service success or failure, and perception of equity or fairness. According to Ho *et al*., (2005), customer satisfaction is a good predictor for the likelihood of repeat purchases and revenue growth. In addition, customers are assets and their values can both grow and decline. However, customer satisfaction can be increased by investing in costly technology or productive processes. Kotler (2004) argued that, institutions or

companies which believe the customer is the "profit center" must adopt the modern customer-oriented organization chart where customers are considered first or are at the top; next is front-line staff who meet and attend customers followed by intermediate managers who support the front-line staff.

2.4 Summary of the Literature Review

Customer care and satisfaction has a strong positive effect on customer loyalty intentions across a wide range of product and service categories. This section elaborated the theories that were used to explain the economic factors and performance of agro-input dealers in Uganda. From the above discussion, performance of agro-input dealers depends on three broad categories of Variables, namely Keynesian, neoclassical, and uncertainty variables. The uncertainty variables as referred to in Oshikoya (1994) are the variability of the user-cost of capital, real exchange rate, inflation rate, and the debt. There is need for better performance of agro-input dealers to support agribusiness enterprises and hence improve agricultural productivity. Literature reviewed did not mention the extent to which economic factors influence performance of agro-input dealers in Uganda, which gap was identified to guide this study.

Also reviewed are the human capital theory studies which assume that experiences are translated into knowledge and skills. However, Sonnentag (1995) reports that the length of experience is not necessarily a good predictor of expertise. Customer care and satisfaction has a strong positive effect on customer loyalty intentions across a wide range of product and service categories. The study intends to analyse the economic factors and performance of agro-input dealers. But little literature exists regarding the economic factors and performance of agro-input dealers in Kampala Capital City, Uganda. This study therefore intends to fill this knowledge gap.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In this chapter, the components undertaken include research design, study population, sample size determination, sampling techniques and procedures, data collection methods and instruments, validity and reliability, data collection procedures, data analysis and measurement of variables.

3.2 Research Design

The study used the cross sectional research design, in which the relationship between the variables was examined using simple correlation. Through questionnaire survey, the study used both qualitative and quantitative approaches (triangulation) to collect data and information from key informants. The basic idea behind the survey methodology was to measure variables by asking respondents questions and then to examine the relationships among variables. In most instances, surveys attempt to capture attitudes or patterns of past behaviour contrary to other designs. The most commonly seen surveys use the cross sectional design which asks questions to help people at one point in time. This was suitable for this study since it helped in finding out the extent of phenomena, in this particular case economic factors and performance of agro-input dealers in Kampala Capital City. According to Mugenda and Mugenda (1999), cross sectional surveys are used to gather data from a sample of a population at a particular time and the results of which are then extrapolated to be suitable since it was descriptive and friendly in presentation of data (Sekaran, 2003) and also provided an opportunity for intensive analysis of specific details over the collected data (Munck, 2004).

3.3 Study Population

The target population for this study was all the agro-input dealers in Kampala Capital City which were considered as a case study area. This was the entire group of enterprises from which the study was interested in generating its conclusions. The agro-input dealers targeted comprised 40 dealers in seeds, fertilizers, agro-chemicals and farm machinery and tools, as well as 40 customers to the agro-input dealers. Additional information was obtained by interviewing selected personnel from Uganda National Agro-input dealers' Association (UNADA), Kampala City Traders' Association (KACITA), Uganda Bureau of Statistics (UBOS), Ministry of Trade and Industry (MTI), Bank of Uganda (BoU) and Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) as tabulated below.

Table 3. 1: Accessibility Population and Sample Size

Category	Target Population	Sample size	Sampling Technique
Agro-input Dealers and Customers	40	36	Simple random sampling
UNADA (HR Manager)	01	01	Purposive sampling
KACITA (HR Officer)	01	01	Purposive sampling
UBOS (Statistician)	01	01	Purposive sampling
MTI	01	01	Purposive sampling
BoU	01	01	Purposive sampling
MAAIF	01	01	Purposive sampling
TOTAL	**46**	**42**	

3.4 Sample Size Determination

The sample size was determined based on Krejcie and Morgan (1970) sampling guidelines. A sample from each category of agro-input dealers and customers was selected using simple random sampling technique. According to Mugenda and Mugenda (1999), this technique was appropriate as the sample size from each category of agro-input enterprises was proportional to

the size of the category. The study sampled all the 36 respondents operating in Kampala Business District and selected staff from UNADA, KACITA, UBOS, MTI, BoU and MAAIF.

3.5 Sampling Techniques and Procedures

The study listed all the respondents (agro input dealers in Kampala Business District) and the list formed a sampling frame from which the sample was drawn. From the sampling frame, simple random sampling technique was used to arrive at the respondent enterprises in each category of agro-input dealers. According to Mugenda and Mugenda (1999), this technique guarantees an equal opportunity for any member of the population to be selected. A list of agro-input enterprises and their customers was chosen and then data collected from them. Additional data was collected by interviewing selected staff from UNADA, KACITA, UBOS, MTI, BoU and MAAIF using purposive sampling technique.

3.6 Data Collection Methods

The study utilized both primary and secondary sources of data in qualitative and quantitative methods for purposes of data triangulation of both methods. Triangulation methodology helped the researcher in obtaining a variety of information on the variables and to use the strength of each method to overcome deficiencies of the other and also to achieve a higher degree of validity of variables.

Quantitative method utilizes quantitative studies that measure variables with some precision of numeric scales and counts of things while qualitative method utilizes qualitative studies based on transcripts of unstructured interview with the respondents and data from documents published on some of the agro-input enterprises.

In quantitative method, the questionnaire method was used to collect quantitative data that helped to produce inferential statistics while in the qualitative method, interview method was used to collect qualitative data from respondents and this helped in providing narrative statements that was based on in reaching conclusions.

The questionnaire survey approach was used because it is less expensive for data collection (Amin, 2005). The questions were based on the fact that the variables were not observed such as views, opinions, perceptions and feelings of the respondents (Amin, 2005) on the economic factors and performance of agro-input dealers.

The interview approach was utilized by interviewing the respondents face to face. This approach enabled the researcher obtain in depth information. This also allowed the researcher to clarify ambiguous questions and obtain in depth information through probing.

Documentary review approach was used to obtain existing published and unpublished information on economic factors and performance of agro-input dealers in Uganda.

3.7 Data Collection Instruments

3.7.1 Questionnaire

The questionnaire used in data collection is detailed in Appendix 1. These questionnaires were administered to 36 Agro-input dealers in Kampala District. Closed ended questions were used and a five Likert-scale was adopted due to its simplicity and easiness in answering, coding and analysis of data. The scale consisted of: 5= Strongly Agree, 4= Agree, 3= Not sure, 2= Disagree and 1= Strongly Disagree.

3.7.2 Interview guide

An interview guide (Appendix 2) was used to collect qualitative data from the respondents. This helped the researcher to obtain in depth information through probing (Eyles, 1989). It was used to verify, enhance and fill in data collected from the questionnaires. The interviews allowed the respondents to express their own view points (Flick, 2002). In this study, 5 respondents targeted for interviews. Respondents were guided by a list of interview topics that summarized the economic factors and performance of agro-input dealers in Kampala Capital City.

3.7.3 Documentary check list

A documentary review guide was used to check for the available local and international literature or documents to appreciate the current trends in regard to the economic factors and performance of agro-input dealers in Kampala Capital City.

3.8 Validity and Reliability

3.8.1 Validity

To ensure content validity, data collection instruments were constructed in such a way that they had adequate number of items and that each item or question on the scale had a link with the objectives of the study and covered a full range of issues being measured. The instruments were pre-tested to generate comments on the ambiguity, difficulty and relevance of the questions to ensure construct, content and face validity. A construct Validity Index (CVI) was then computed using the formula below.

$$CVI = \frac{\text{Number of items considered relevant}}{\text{Total number of items rated}}$$

$$C.V.I = \frac{R}{R + N + IR}$$

The Score from Expert 1: R = 70%, N = 5%, IR = 5% giving the result = 80%. Score from Expert 2: R = 70%, N = 10%, IR= 5% giving the result= 85%. From the two experts the average score was 82.5% which made the questionnaire content valid which was way above the score of 0.7 or 70% according to Amin (2003).

3.8.2 Reliability

The instruments were pretested by administering them to 5 selected agro-input dealers in Mukono District which is located outside Kampala District (target population) to establish reliability of the instruments used in the study. For reliability, experts in the field were consulted about the content of the instruments, ambiguity of question items and their relevancy. The reliability of the questionnaire was tested using Statistical Package for Social Scientist (SPSS) computer program to obtain Cronbach's alpha (the reliability coefficient) that measures the extent to which item responses obtained at the same time correlate highly with each other (DeVellis, 2003).

Table 3. 2: Reliability Analysis

Case Processing Summary

		N	%
Cases	Valid	36	100.0
	Excluded(a)	0	.0
	Total	36	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.854	36

The reliability of the instrument was 0.854 or 85.4% which is way above 0.7 or 70% as suggested by Amin (2005) that a reliability coefficient of 0.7 or higher is considered ''acceptable'' in most social science research.

3.9 Data Collection Procedures

An introductory letter to the respondents was obtained from Uganda Management Institute. The data collection instruments were pre-tested in Mukono District, an area outside Kampala Capital City which was the study area. The instruments were then edited taking into consideration the lessons learnt from the pre-test exercise. Thereafter, and upon approval by the institute's academic supervisors, the researcher proceeded to administer the questionnaire to the respondents and interview them as well.

3.10 Data analysis

The instruments that were used to collect data generated both qualitative and quantitative data (Mugenda and Mugenda, 2003). The raw data was entered, cleaned, sorted and condensed into systematically comparable data.

3.10.1 Qualitative data analysis

For qualitative data analysis, the researcher organised statements and responses to generate useful conclusions and interpretation on the study objectives (Sarandakos, 2005). Qualitative data analysis involved coding of data, identification of categories and patterns that emerge in the responses using the content analysis procedure. Potential themes, categories, and patterns were closely examined to see how they actually emerge from the data in relation to the objectives of the study. Narrative statements on how categories or themes of data are related were used in the qualitative data analysis. Once the themes, categories and patterns were established, data was evaluated and analyzed to determine adequacy, credibility, usefulness and consistency of information. Content analysis was used to summarize the data into themes, which were then presented to enrich the quantitative data.

3.10.2 Quantitative data analysis

Quantitative data was generated through data coding that yielded numbers or descriptive statistics which was then analyzed using SPSS. Analysis of the objectives was done by using Factor Analysis, which helps turn qualitative data into quantitative data to be able to run the inferential statistics. The relationship or correlation between the dependent and independent variables or sets of variables was established using correlation analysis as suggested by Cohen and Cohen (1983).

In this study, bivariate correlations were used to establish significance, direction and magnitude of the relationship in the variables. Correlation coefficient values lie between -1 and +1. A correlation coefficient of +1 indicates that the two variables are perfectly related in a positive linear sense; a correlation coefficient of -1 indicates that the two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables (Achen, 1991). From the correlation coefficient, the coefficient of determination (R-squared) was determined. The coefficient of determination is the square of the correlation coefficient. Its value may vary from zero to one. It has advantage over the correlation coefficient in that it may be interpreted directly as the proportion of variance in the dependent variable that can be accounted for by the regression equation. The standard error of the estimate was determined and used to develop confidence intervals around a prediction. The standard error of estimate for regression measures the amount of variability in the points around the regression line. The size of the coefficient of each independent variable gives the size of the effect that variable is having on the dependent variable, and the sign of the coefficient (Positive or negative) gives the direction of the effect (Sekaran, 2003).

3.11 Measurement of Variables (Quantitative Studies)

The questionnaire was designed to ask respondents about economic factors and performance of agro-input dealers in Kampala Capital City. These were then channeled into observable and measurable elements to enable development of an index of the concept. A five likert-scale was used consisting of: 5= Strongly Agree, 4= Agree, 3= Not Sure, 2= Disagree and 1= Strongly Disagree to measure both the independent and dependent variables. It is important to understand the level of measurement of variables in research because the level of measurement determines the type of statistical analysis that is conducted, and the type of conclusions that are drawn from the research (Denscombe, 2006).

3.12 Ethical consideration

The principles of research ethics- informed consent, privacy and confidentiality, and accuracy were adhered to during the study. Participants received full disclosure of the nature of the study, with an extended opportunity to ask pertinent questions regarding the research. Maximum confidentiality was ensured in that respondents were not required to indicate their names on the questionnaire. This was achieved by assigning respondents codes instead of using the actual names of the respondents. All willing parties were given a chance to take part in the study. Honesty was maintained throughout the research process in reporting data, results, methods and procedures in order to avoid fabrication, falsification, or misrepresentation of data. All quotations used and sources consulted were clearly distinguished and acknowledged by means of references. A letter of authorization from the School of Management Science was provided as a request for permission to conduct the study. A covering letter accompanied the research instruments explaining the purpose of the study and the questionnaires were distributed directly to the respondents, and collected immediately the filling in was completed.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The study examined the Economic factors and Performance of Agro-input dealers in Kampala Capital City, Uganda. To achieve the objectives, the study sampled the agro-input dealers, clients/ customers and industrial players in the agribusiness sub sector.

In this Chapter, the data collected is presented, analyzed and interpreted to derive meaning from it. The chapter is structured in five sections. Section 4.2 focuses in the response rate, section 4.3 focuses on the respondents' background; section 4.4 focuses on Empirical Statistics while section 4.5 gives the regression analysis of the survey results. The analysis of the objectives was carried out by running factor analysis to establish the relationships among the independent variables (interest rates, inflation rates and exchange rates) and dependent variable (performance) using the correlations and regression analysis.

4.2 Response Rate

Table 4. 1: Summary of Response rates to the research instruments

Data collection method	Targeted respondents	Actual responses	Response rate (%)
Questionnaire survey	**36**	**36**	**100**
Interview	**6**	**5**	**83**
Total	**42**	**41**	**98**

Source: Primary Data (2017)

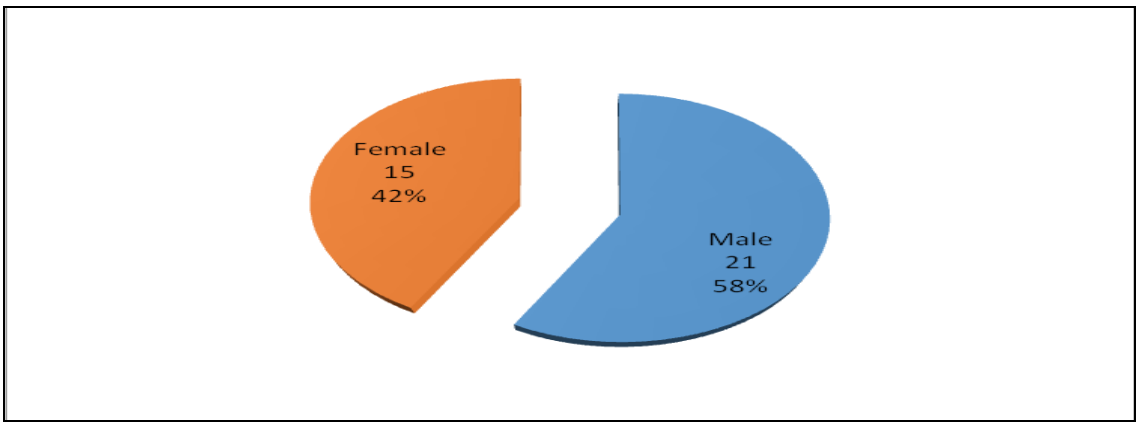
Results from Table 4.1 show the response rate to the research instruments. The study targeted in total 42 respondents. Of the total of 36 respondents targeted for the questionnaire survey, all (100%) responded to the survey. Of the 6 respondents targeted as key informants, 5 actually

participated in the survey retuning 83% response rate. Overall, the study achieved 98% response rate which makes the study findings reliable and valid, way above 70% as argued by Amin (2005) that for a study to be valid and results reliable, a response rate of above 70% is desirable.

4.3.0 Background characteristics of the respondents

4.3.1 Gender of the respondents

Results from Figure 4.1 show the gender of the respondents. Majority 58% (21) of the respondents were males while 42% (15) were females. The implication of the results is that that majority of the respondents (agro-input dealers) are males with a sizable number of females competing in the sub sector.

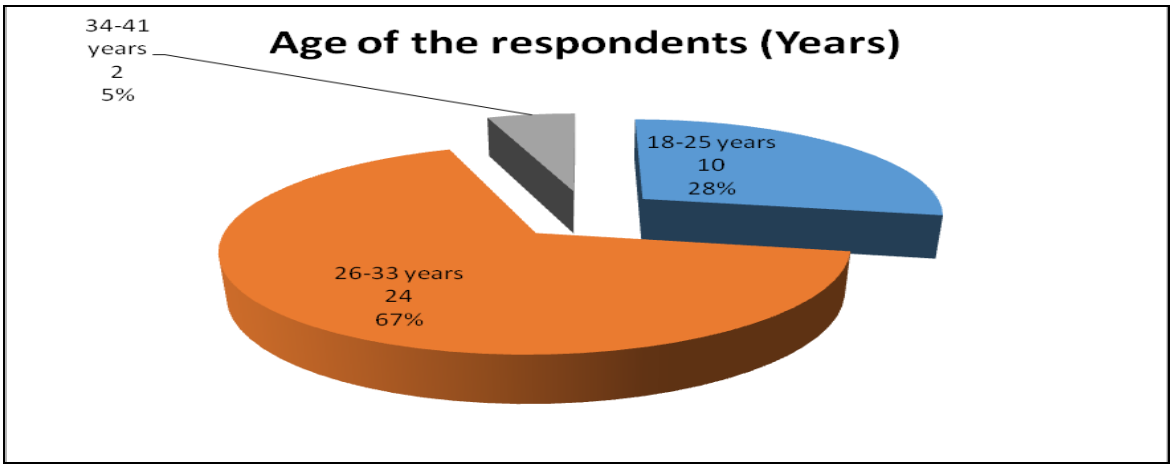


Source: Primary Data (2017)

Figure 4. 1: Gender of the respondents

4.3.2 Age of the respondents

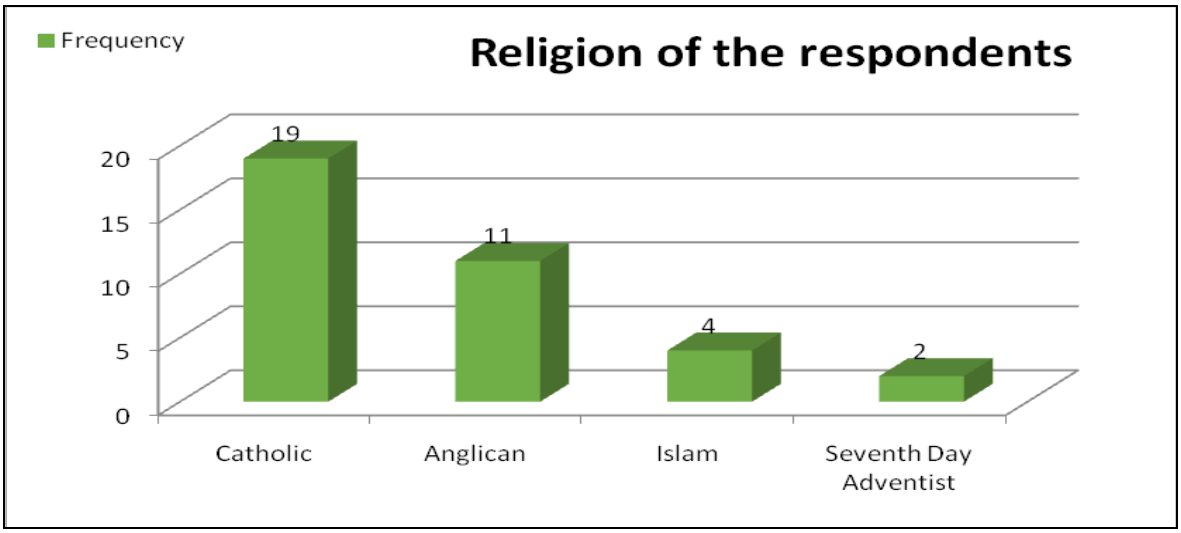
Figure 4.2 above shows the age category of the respondents. Majority 67% (24) of the respondents were in the age bracket of 26-33 years, 28% (10) were in the age bracket of 18-25 years while 6% (2) of the respondents were in the age bracket of 34-41 years. The implication of the results is that majority 94% (34) of the respondents (agro-input dealers) are youth (the main productive age groups) with business acumen in Uganda today.



Source: Primary Data (2017)

Figure 4. 2: Age of the respondents

4.3.3 Religion of the respondents



Source: Primary Data (2017)

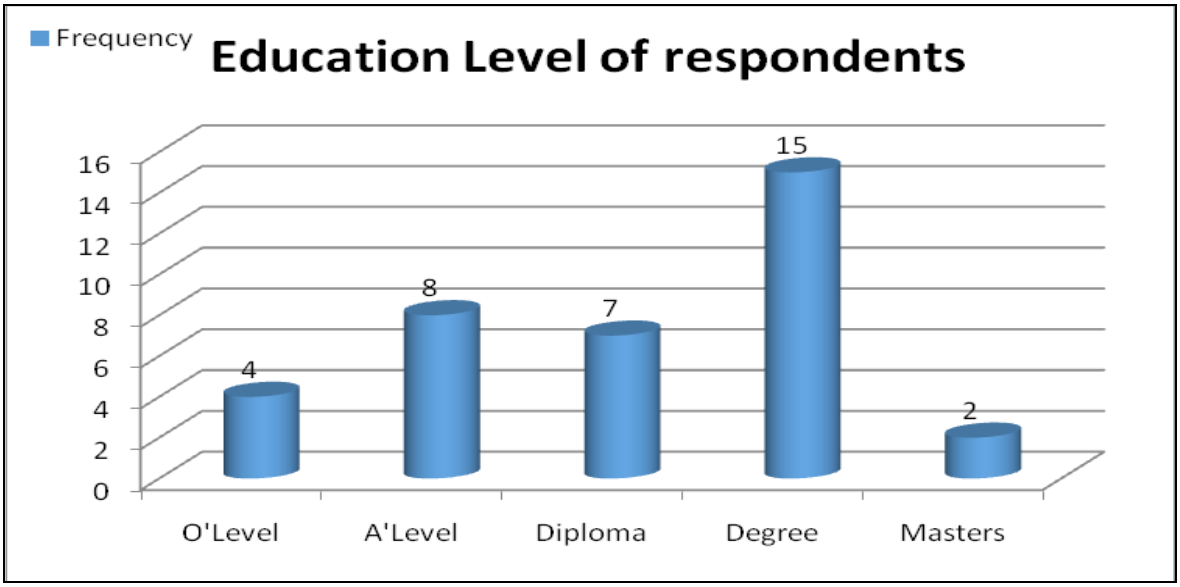
Figure 4. 3: Religion of the respondents

Figure 4.3 shows the Religion of the respondents. Majority 53% (19) of the respondents indicated that they were Roman Catholics, 31% (11) of the respondents indicated that they were Anglican, 11% (4) of the respondents indicated that they were of the Islamic faith while 6% (2) of the respondents indicated they were of Seventh Day faith. The implication from the above

results is that the agribusiness (agro-input) sub sector does not discriminate on the basis of religious denomination.

4.3.4 Education level of the respondents

Results for Figure 4.4 show education levels of the respondents. 42% (15) of the respondents had bachelor (degree) level education, 22% (8) of respondents had advanced certificate level of education, 19% (7) of the respondents had diploma level education, 11% (4) of the respondents had Ordinary certificate level of education while 6% (2) of the respondents had Masters degree level of education. The implication is that agro-input dealers market is attractive to all categories of people regardless of their education levels.



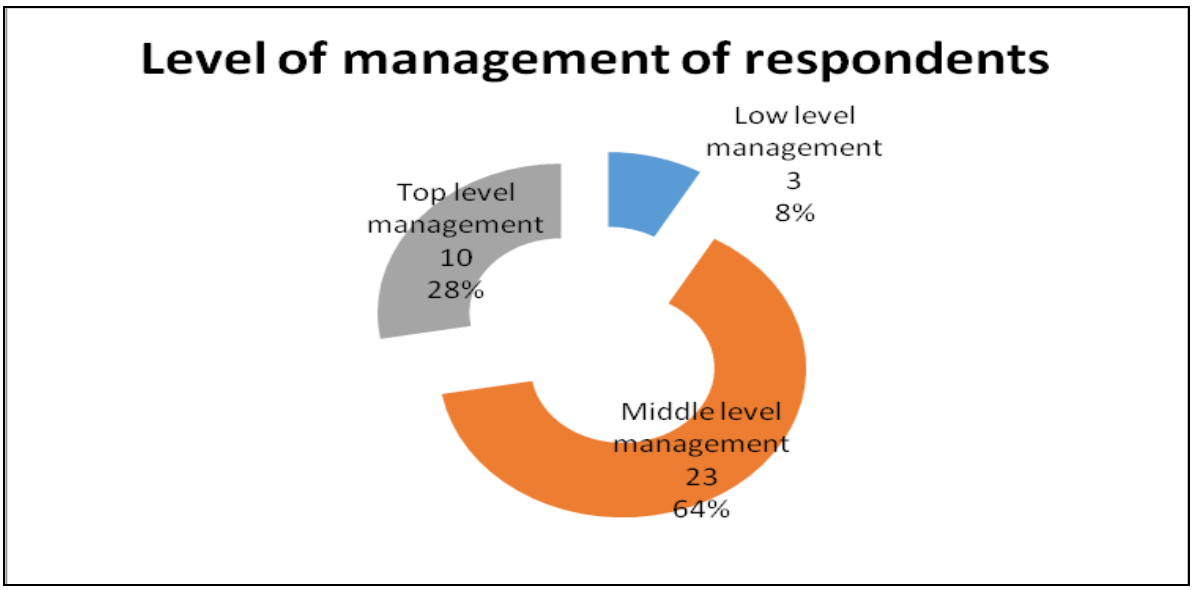
Source: Primary Data (2017)

Figure 4. 4: Education levels of the respondents

4.3.5 Respondent's Management levels

Figure 4.5 below shows respondents' level of management in their enterprise. Majority 64% (23) of the respondents were in the middle level management position, 28% (10) of the respondents were in top management levels of their enterprises while 8% (3) of the respondents were in lower

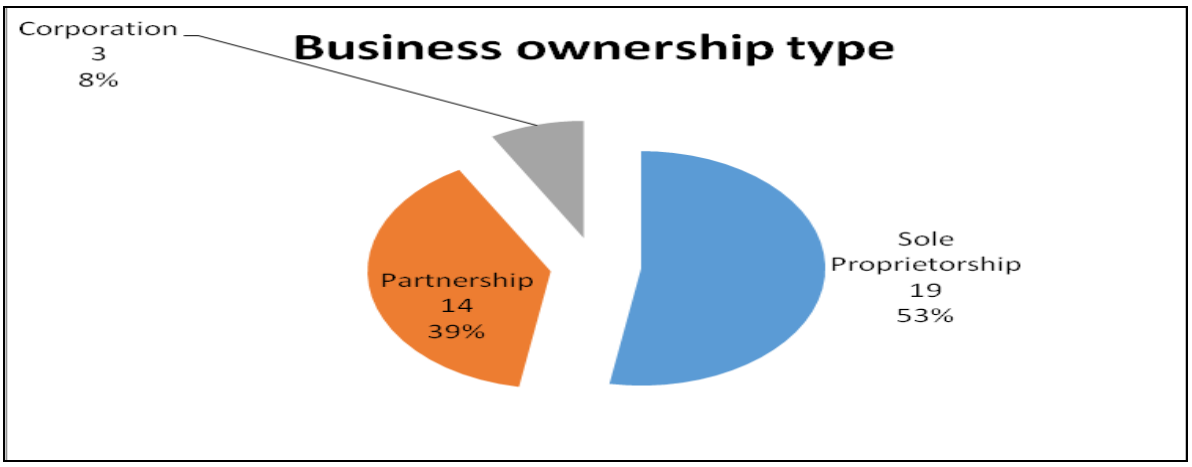
management levels. The implication from the above results is that there is some level of industrial organization in the agro-input sub sector which helps it to continuously grow and improve.



Source: Primary Data (2017)

Figure 4. 5: Respondents' level of Management

4.3.6 Type of Business Ownership



Source: Primary Data (2017)

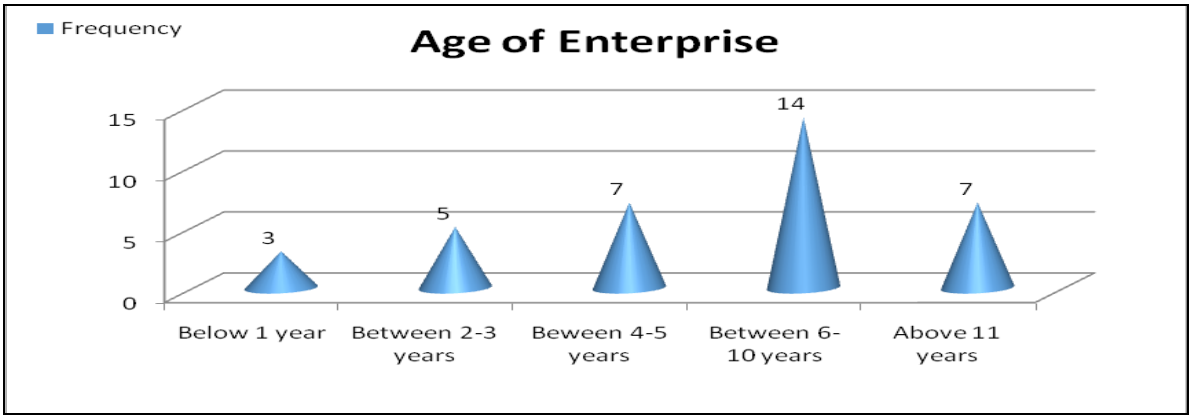
Figure 4. 6: Type of Business ownership

Figure 4.6 above shows the type of business ownership the agro-inputs dealers' trade in. Majority 53% (19) of the respondents indicated that their businesses were sole proprietorship,

39% (14) of the respondents indicated that they were partnerships while 8% (3) of the respondents indicated that their businesses were corporations. The implication from the above results is that the majority of agro-dealer businesses are sole proprietorship and partnerships meaning that the business owners take risk associated with running these enterprises into consideration.

4.3.5 Age of Business

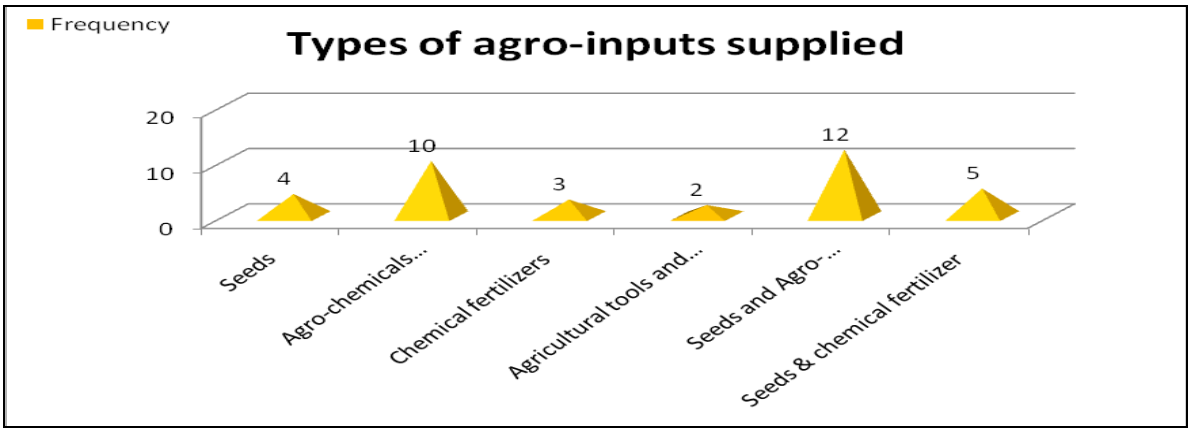
Figure 4.7 below shows the age of enterprise. Majority 39% (14) of the respondents indicated that they have been in business for between 6-10 years, 19% (7) of the respondents indicated that they have been in business for either between 4-5 years or over 11 years, 14% (5) of respondents indicated that they had been in business for between 2-3 years while 8% (3) of the respondents indicated that they have been in business for less than 1 year. The implication of the above results is that the agro-input dealership market is a growing market with viable opportunities for investment.



Source: Primary Data (2017)

Figure 4. 7: Age of Business

4.2.9 Nature of agro-input supply



Source: Primary Data (2017)

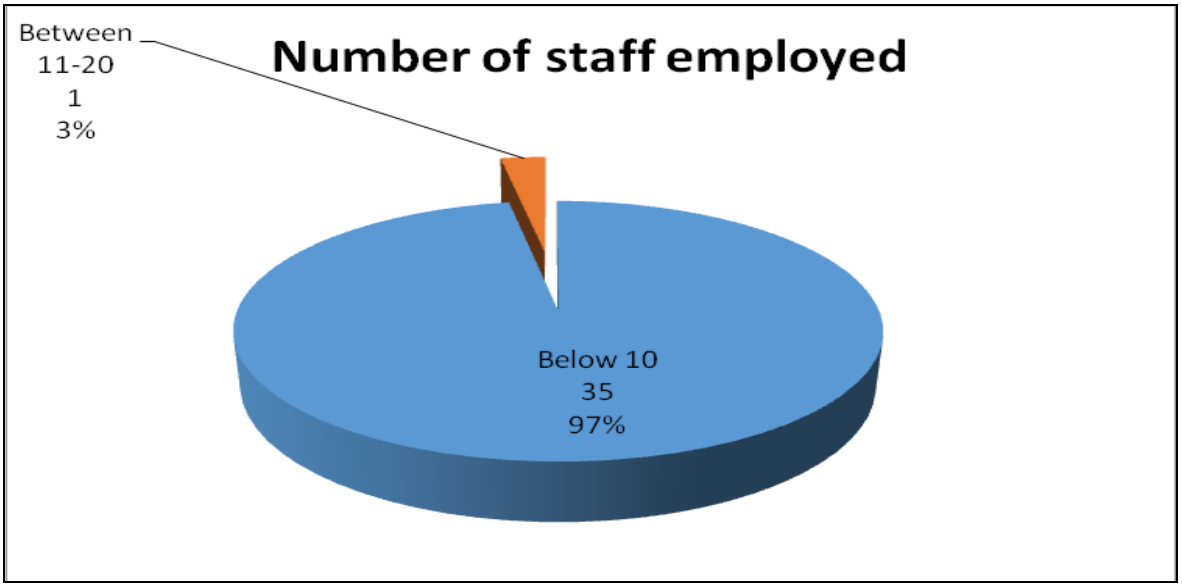
Figure 4. 8: Nature of agro-input supplied

Results from Figure 4.8 show the nature of agro-input supplied by agro dealers in Kampala capital city. 33% (12) of the respondents indicated that they supply seeds and agro-chemicals (Pesticides and Fungicides), 28% (10) of the respondents indicated that they supply agro-chemicals (Pesticides and Fungicides), 14% (5) of the respondents indicated they supply Seeds & chemical fertilizer, 11% (4) of the respondents indicated that they supply seed only, 8% (3) of the respondents indicated that they supply chemical fertilizers only while 6% (2) of the respondents indicated that supply Agricultural tools and machinery. The implication from the results is that agro-input dealers trade in specialized inputs depending on the customer demands in Kampala.

4.2.10 Number of employees

Results from Figure 4.9 show the number of people employed by the agro-input firms in Kampala. Majority 97% (35) of the respondents indicated their firms employ less than 10 people/ staff while 3% (1) of the respondents indicated that their firms employ between 11-20

employees. The implication from the result is that many of the agro-input firms are small scale in nature hence employ few people to run and operate the firms.

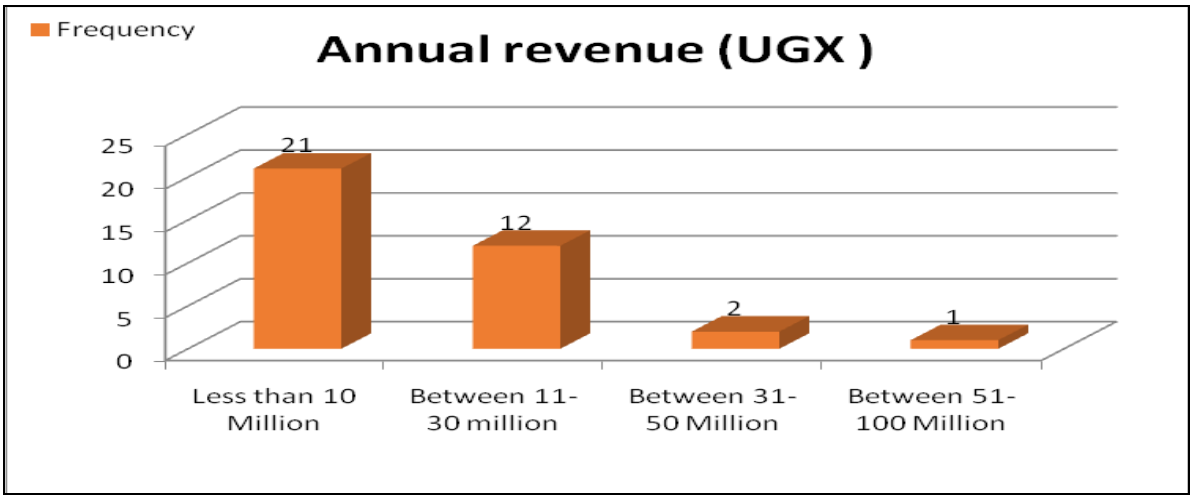


Source: Primary Data (2017)

Figure 4. 9: Number of staff employed

4.3.6 Annual revenue of the agro-input firms

Figure 4.10 shows the annual revenues earned by the proprietors of the agro-input firms. Majority 58% (21) of the respondents indicated that they earn less than UGX 10 million, 33% (12) of the respondents indicated that they earn between UGX 11-30 million, 6% (2) of the respondents indicated that they earn between UGX 31-50 million while 3% (1) respondent indicated that they earn between UGX 51-100 million. The implication from the results is that agro-input trade is a lucrative business which is attracting a number of entrepreneurs to the market.



Source: Primary Data (2017)

Figure 4. 10: Annual revenue of the respondents

4.4 Descriptive Statistics

4.4.1 Performance of Agro-input dealers in Kampala Capital City

Descriptive statistics below refer to Performance of Agro-input dealers in Kampala; each of which was analyzed.

Table 4. 2: The responses rate on Performance of Agro-input dealers

Response by agro input dealers as to how they felt about their Performance in Kampala Capital City						
	Strongly agree	**Agree**	**Disagree**	**Strongly disagree**	**Mean**	**Std Dev.**
My decision to start the agro-inputs enterprise was due to the profits I expected to earn from the business	18 (50%)	14 (39%)	2 (6%)	2 (6%)	4.22	1.098
I know my expected profit at the start of the agro-inputs business venture	4 (11%)	18 (50%)	8 (22%)	6 (17%)	3.17	1.363
The profits from my business have increased	10 (28%)	17 (47%)	6 (17%)	3 (8%)	3.69	1.283
I know my expected costs at the start of my agro-inputs business venture	7 (19%)	18 (50%)	7 (19%)	4 (11%)	3.47	1.320
I know my expected revenue at the start of my agro-inputs business venture	5 (14%)	20 (56%)	10 (28%)	1 (3%)	3.50	1.134
The agro-inputs business costs have now reduced compared to the revenue	5 (14%)	12 (33%)	10 (28%)	9 (25%)	2.83	1.483
The revenue into the business has now increased	9 (25%)	20 (56%)	4 (11%)	3 (8%)	3.78	1.198
Mean of Indicators on Performance of Agro-input dealers					**3.52**	**1.3**

Source: Primary Data (2017)

Results from Table 4.2 indicate rate responses on Performance of Agro-input dealers in Kampala Capital City. Majority 89% (32) of the respondents agreed that the decision to start the agro-inputs enterprise was due to the profits they expected to earn from the business while 12% (4) of the respondents disagreed. Majority 61% (22) of the respondents agreed that they knew their expected profit at the start of the agro-inputs business venture while 39% (14) of the respondents disagreed.

Majority 75% (27) of the respondents agreed that the profits from my business have increased while 25% (9) of the respondents disagreed. Majority 69% (25) of the respondents agreed that they knew their expected costs at the start of their agro-inputs business venture while 31% (11) of the respondents disagreed

Majority 69% (25) of the respondents agreed that they knew their expected revenue at the start of their agro-inputs business venture while 31% (11) of the respondents disagreed. Majority 53% (19) of the respondents disagreed that agro-inputs business costs have now reduced compared to the revenue while 47% (17) of the respondents agreed. Majority 81% (29) of the respondents agreed that the revenue into the business has now increased while 9% (7) of the respondents disagreed.

The conclusion drawn from the above results is that Performance of Agro-input dealer's variables with mean above 3.52 shows that the performance of agro-inputs is dependent on economy wide factors prevailing in the market.

4.4.2 Customer care and Satisfaction of Agro-input dealers in Kampala Capital City

Descriptive statistics below refer to customer care and satisfaction as a parameter in assessing the performance of Agro-input dealers in Kampala Capital City.

Table 4. 3: The responses rate on customer care and satisfaction of Agro-input dealers

Response by customers as to how they felt about performance of Agro-input dealers in Kampala Capital City						
	Strongly agree	**Agree**	**Disagree**	**Strongly disagree**	**Mean**	**Std Dev.**
I always find all the farm inputs that I need to purchase with my agro-inputs supplier	7 (19%)	8 (22%)	13 (36)	8 (22%)	2.81	1.508
My agro-inputs supplier responds to my questions and gives me all the information I require in a satisfactory manner	9 (25%)	20 (56%)	6 (17%)	1 (3%)	3.83	1.082
My agro-inputs supplier teaches and guides me on the use and application of the agro-inputs that I purchase	16 (44%)	17 (47%)	3 (8%)		4.28	0.849
My agro-inputs supplier shows commitment whenever I request for guidance and information about agro-inputs that I purchase	7 (19%)	25 (69%)	4 (11%)		3.97	0.810
My agro-inputs dealer listens to and acts upon my complaints	3 (8%)	29 (81%)	4 (11%)		3.86	0.723
My agro-inputs supplier has adequate and qualified staff to provide services to me	2 (6%)	25 (69%)	7 (19%)	2 (6%)	3.50	1.056
My agro-inputs supplier provides me with after sales services	4 (11%)	23 (64%)	5 (14%)	4 (11%)	3.50	1.207
Mean of Indicators on Performance of Agro-input dealers					**3.68**	**1.03**

Source: Primary Data (2017)

Results from Table 4.3 indicate rate responses on customer care and satisfaction of Agro-input dealers in Kampala Capital City. Majority 58% (21) of the respondents disagreed that they always find all the farm inputs that they need to purchase with their agro-inputs supplier while 42% (15) of the respondents agreed that they always find all the farm inputs that they need to purchase with their agro-inputs supplier.

Majority 81% (29) of the respondents agreed that their agro-inputs supplier responds to their questions and gives them all the information they require in a satisfactory manner while 9% (7) of the respondents disagreed. Majority 92% (33) of the respondents agreed that their agro-inputs supplier teaches and guides them on the use and application of the agro-inputs that they purchase while 8% (3) of the respondents disagreed.

Majority 89% (32) of the respondents agreed that their agro-inputs supplier shows commitment whenever they request for guidance and information about agro-inputs that they purchase while 11% (4) of the respondents disagreed. Majority 89% (32) of the respondents agreed that their agro-inputs dealer listens to and acts upon their complaints while 11% (4) of the respondents disagreed.

Majority 75% (27) of the respondents agreed that their agro-inputs supplier have adequate and qualified staff to provide services to them while 25% (9) of the respondents disagreed. Majority 75% (27) of the respondents agreed that their agro-inputs supplier provides them with after sales services while 25% (9) of the respondents disagreed.

The conclusion drawn from the above results is that customer care and satisfaction of Agro-input dealers in Kampala Capital City with mean above 3.68 shows that the agro-input dealers mind about their customers and endeavor to meet their need (satisfaction).

4.4.3 Interest rates as applied to Agro-input Dealers

Descriptive statistics below refer to Interest rates as applied to Agro-input dealers in Kampala capital city; each one of which was analysed.

Results from Table 4.4 indicate rate responses on Interest rates as applied to Agro-input dealers. Majority 61% (22) of the respondents agreed that they knew the interest rate that prevailed at the time they started their agribusiness venture while 39% (14) of the respondents disagreed.

Majority 75% (27) respondents agreed that they operate different accounts within Centenary Bank. Majority 74 % (100) of the respondents agreed that they knew the impact of the interest rate on their agribusiness venture while 25% (9) of the respondents disagreed. Majority 53% (19)

of the respondents agreed that the interest rate affected the running of their agribusiness upon starting while 47% (17) of the respondents disagreed.

Table 4. 4: The response rate on Interest rates as applied to agro-input dealers

Response as to how respondents felt about interest rate as applied to agro-input dealers						
	Strongly agree	**Agree**	**Disagree**	**Strongly disagree**	**Mean**	**Std Dev.**
I know the Interest rate that prevailed at the time I started my agribusiness venture	2 (6%)	20 (55%)	10 (28%)	4 (11%)	3.17	1.231
The interest rate affected the startup of my agribusiness	7 (19%)	20 (56%)	6 (17%)	3 (8%)	3.11	1.369
I know the impact of the interest rate on my agribusiness venture	7 (19%)	20 (56%)	6 (17%)	3 (8%)	3.61	1.225
The interest rate affects the running of my agribusiness	4 (11%)	15 (42%)	13 (36%)	4 (11%)	3.06	1.308
Mean of Indicators on Interest rates					**3.24**	**1.0**

Source: Primary Data (2017)

Mean Range and Interpretation
5.00 – 4.01 (Very Important), 4.00 – 3.01 (Important), 3.00 – 2.01(Fairly Important) and 2.00 – 1.00 (Least Important)

The Mean of indicators on the interest rates (3.24) imply that interest rate adjustment affects the performance of agro-input dealers and as a result its factors are important in determining the success of agro-input dealers in Kampala Capital City, Uganda.

Table 4. 5: Correlation between Interest rates and Performance of Agro-input dealers

Correlations			
		Performance of Agro-input dealers	**Interest rates**
Performance of Agro-input dealers	Pearson Correlation	1	-.605**
	Sig. (2-tailed)		.007
	N	36	36
Interest rates	Pearson Correlation	-.605**	1
	Sig. (2-tailed)	.007	
	N	36	36
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data (2017)

Results from the Table 4.5 indicate the correlation results between Performance of Agro-input dealers and Interest rates. Performance of Agro-input dealers and Interest rates have a negative Pearson Correlation -0.605 and statistically significant at 5% (0.05) with the p-value of 0.007 meaning we reject the null hypothesis that states that Interest rate has no significant effect on the Performance of Agro-input dealers and accept the alternative hypothesis that states that Interest rate has significant effect on the Performance of Agro-input dealers. The negative Pearson correlation -0.605 shows that a unit increase in the levels of Interest rates leads to 60.5% decline in Performance of Agro-input dealers. The implication of the above results is that when the Interest rates rise, the cost of borrowing money to fund the agro-inputs purchases and business become expensive and as such higher interest rates crowd out private investments and vice versa. The study also interviewed key informants who included: staff of Uganda National Agribusiness Development Agency (UNADA); Kampala City Traders Association (KACITA), Bank of Uganda (BoU), Uganda Bureau of Statistics (UBOS) and Ministry of Agriculture, Animal Industries and Fisheries (MAAIF). On how Interest rates affect the performance of Agro-input dealers, the key informants had this to say;

> *In Economics term, we take interest rate is a coupon rewarded for the inconvenience for having to part with an asset which is very liquid (cash). Interest rate is sometimes seen as an element of pay and its essential part is to aid in mobilizing financial resources into a pool and create an environment of efficient utilization so as to promote economic growth and development",* Revealed one of the Key Informants.

> *"Interest is seen as the rent paid for money and assesses the rate of return that is anticipated by the money lenders including banks for having given out their assets to the borrowers. What we are doing at Bank of Uganda (BOU) is to ensure that the business people are not*

over cheated by the money lenders by continuously revising our Bank rate downwards", Revealed another Key informant

"The interest rate is the charge paid for the utilization of obtained resources. We in the agricultural sector, we face a lot of fluctuations in our production process and when you couple this with persistent fluctuations in interest rate, this expose firm's financial position to real risk, meaning that business people/ agro-input dealers face two risks; one being the famers not accessing the inputs and two the interest on borrowed funds keep accumulating, hence more debts", Revealed another informant.

Uganda faces wild fluctuations in interest rate and this poses very critical dangers to an organization's profit and its capital base changes. It also increases by a huge percentage its functional expenses. Higher interest rates may also negatively influence the basic estimation of benefits, liabilities and present estimation of future money streams that are discounted making agro-input dealers and companies constantly make losses and in the worst scenarios close shop", Urged one of the Key informants.

The implication from the key informant interviews, point to the fact that with the increasing levels of interest rates negatively affect the performance of agro-input companies in Uganda.

4.4.4 Inflation as applied to Agro-input dealers in Kampala Capital City

Descriptive statistics below refer to Inflation as applied to Agro-input dealers; each one of which was analysed.

Results from Table 4.6 indicate rate responses on Inflation as applied to Agro-input dealers. Majority 67% (24) of the respondents agreed that they knew the inflation rate that prevailed at the time they started agribusiness while 33% (12) of the respondents disagreed. Majority 75%

(27) of the respondents agreed that inflation rate affected the start-up of their agribusiness while 25% (9) of the respondents disagreed.

Table 4. 6: The response rate on Inflation as applied to Agro-input dealers

Response as to how respondents felt about inflation as applied to agro-input dealers						
	Strongly agree	**Agree**	**Disagree**	**Strongly disagree**	**Mean**	**Std Dev.**
I knew the inflation rate that prevails at the time I started agribusiness	5 (13%)	19 (53%)	10 (28%)	2 (6%)	3.42	1.204
The inflation rate affected the startup of my agribusiness	9 (25%)	18 (50%)	8 (22%)	1 (3%)	3.72	1.162
I knew the impact of the exchange rate on my agribusiness venture	5 (14%)	22 (61%)	6 (17%)	3 (8%)	3.56	1.182
The inflation rate affects the running of my agribusiness	5 (14%)	20 (56%)	7 (19%)	4 (11%)	3.42	1.273
Mean of Indicators on Inflation					**3.53**	**1.2**

Source: Primary Data (2017)

Mean Range and Interpretation
5.00 – 4.01 (Very Important), 4.00 – 3.01 (Important), 3.00 – 2.01(Fairly Important) and 2.00 – 1.00 (Least Important)

Majority 75% (27) of the respondents agreed that they knew the impact of the exchange rate on their agribusiness venture while 25% (9) of the respondents disagreed. Majority 69% (25) of the respondents agreed that inflation rate affects the running of their agribusiness while 31% (11) of the respondents disagreed.

The Mean of indicators on the inflation (3.53) imply that inflation affects the performance of agro-input dealers and as a result inflationary pressures is an important factor in determining the success of agro-input dealers in Kampala Capital City, Uganda.

Table 4. 7: Correlation between Inflation and Performance of Agro-input dealers

Correlations			
		Performance of Agro-input dealers	Inflation
Performance of Agro-input dealers	Pearson Correlation	1	-.730**
	Sig. (2-tailed)		.004
	N	36	36
Inflation	Pearson Correlation	-.730**	1
	Sig. (2-tailed)	.004	
	N	36	36
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data (2017)

Results from the Table 4.7 indicate the correlation results between Performance of Agro-input dealers and Inflation. Performance of Agro-input dealers and Inflation have a negative Pearson Correlation -0.730 and is statistically significant at 5% (0.05) with the p-value of 0.004 meaning we reject the null hypothesis that states that Inflation has no significant effect on the Performance of Agro-input dealers and accept the alternative hypothesis that states that Inflation has significant effect on the Performance of Agro-input dealers. The negative Pearson correlation -0.730 shows that a unit increase in the levels of Inflation leads to 73 % decrease in Performance of Agro-input dealers. The implication from the above results is that when an economy is facing inflationary pressure (persistent increase in the prices of goods and services in an economy) meaning that money chases fewer goods, agro-input dealers who mainly import their inputs, will need much more money to convert into foreign exchange in order to purchase their products for sale.

The study also interviewed key informants who included; staff of Uganda National Agribusiness Development Agency (UNADA); Kampala City Traders Association (KACITA), Bank of Uganda (BoU), Uganda Bureau of Statistics (UBOS) and Ministry of Agriculture, Animal

Industries and Fisheries (MAAIF). On how Inflation affects Performance of Agro-input dealers to Agro-input dealers, the key informants had this to say;

> *"Inflation refers to the change whether up or down in the overall level of prices of goods and services in the country for a given period of time, therefore, this changes in prices of goods and services directly and significantly affect the purchasing power of money and the cost of production in the manufacture of the same goods and services,* Revealed one of the Key Informants.

> *"The effects of inflation can be seen from two angles; the effect on the aggregate demand and effect on the cost of production. When the inflation rate is high, consumers who have fixed incomes have a lower purchasing power as the value of money is reduced. This will ultimately lead to reduced demand for agro-inputs. On the other hand, inflation pushes up the cost of production hence affecting the bottom line of agro-firms leading them to make losses,"* Revealed another Key Informant.

The implication from the above key informant interviews, point to the fact that inflation is not purely disastrous in an economy and above all there is no economy without inflation but should be kept at lower levels to ensure improved performance of the agro-input market.

4.4.5 Exchange rate as applied to Agro-input dealers

Descriptive statistics below refer to Exchange rate as applied to Agro-input dealers; each one of which was analysed.

Results from Table 4.8 above indicate the rate of responses on the Exchange rate as applied to Agro-input dealers. Majority 75% (27) of the respondents agreed that they knew the exchange rate that was prevailing at the time they started agribusiness while 25% (9) of the respondents

disagreed. Majority 67% (24) of the respondents agreed that exchange rate affected the startup of their agribusiness while 33% (11) of the respondents disagreed.

Table 4. 8: The response rate on Exchange rate as applied to Agro-input dealers

Response as to how respondents felt about exchange rate as applied to agro-input dealers						
	Strongly agree	**Agree**	**Disagree**	**Strongly disagree**	**Mean**	**Std Dev.**
I know the exchange rate that was prevailing at the time I started agribusiness	9 (25%)	18 (50%)	6 (17%)	3 (8%)	3.67	1.265
The exchange rate affects the startup of the my agribusiness	10 (28%)	14 (39%)	9 (25%)	3 (8%)	3.53	1.362
I know the impact of the exchange rate on my agribusiness venture	10 (28%)	20 (56%)	5 (14%)	1 (3%)	3.92	1.052
The exchange rate affects my agribusiness upon starting	6 (17%)	20 (56%)	10 (28%)		3.61	1.076
Mean of Indicators on Exchange rate					**3.68**	**1.2**

Source: Primary Data (2017)

Majority 83% (30) of the respondents agreed that they know the impact of the exchange rate on their agribusiness venture while 17% (6) of the respondents disagreed. Majority 72% (26) of the respondents agreed that the exchange rate affects the running of their agribusiness while 28% (10) of the respondents disagreed.

The Mean of indicators on the inflation (3.68) imply Exchange rate negatively affects the performance of Agro-input dealers business and as result limits their ability to grow their businesses.

Table 4. 9: Correlation between Exchange rate and Performance of Agro-input dealers

Correlations			
		Performance of Agro-input dealers	Exchange rate
Performance of Agro-input dealers	Pearson Correlation	1	-.701**
	Sig. (2-tailed)		.001
	N	36	36
Exchange rate	Pearson Correlation	-.701**	1
	Sig. (2-tailed)	.001	
	N	36	36
**. Correlation is significant at the 0.05 level (2-tailed).			

Source: Primary Data (2017)

Results from Table 4.9 indicate the correlation results between Performance of Agro-input dealers and Exchange rate. Performance of Agro-input dealers and Exchange rate has a negative Pearson Correlation -0.701 and is statistically significant at 5% (0.05) with the p-value of 0.001 meaning we reject the null hypothesis that states that Exchange rate has no significant effect on the Performance of Agro-input dealers and accept the alternative hypothesis that states that Exchange rate has significant effect on the Performance of Agro-input dealers. The negative Pearson correlation -0.701 shows that a unit increase in the levels of Exchange rate leads to 70.1 % decline in Performance of Agro-input dealers. The implication from the above results is that when Banks and foreign bureau increase the exchange rates, business owners find it difficult to trade as the foreign currencies become expensive to acquire and also the prices of goods abroad increase making less economic sense to transact business hence affecting the Performance of Agro-input dealers.

The study also interviewed key informants who included; staff of Uganda National Agribusiness Development Agency (UNADA); Kampala City Traders Association (KACITA), Bank of

Uganda (BoU), Uganda Bureau of Statistics (UBOS) and Ministry of Agriculture, Animal Industries and Fisheries (MAAIF). On how Exchange rate affects Performance of Agro-input dealers, the key informants had this to say;

> *"Prior to 1972 Uganda operated a fixed regime in terms of exchange rate to the US dollar. After 1972 the exchange rate regime was liberalized i.e. no more fixed rate relative to the US dollar. This change however, became a key sympathy toward the financial specialists, expert, supervisors and shareholders as the exchange rates became fluid. This therefore meant that the cost of monetary forms is controlled by free market activity of the cash in the open forex markets where as BOU we have little interventions,* Revealed one of the Key informants.

> *"Remember that the supply and demand of various currencies is a function of various outside and inward variables, this arrangement is the root cause for the current wide currency fluctuations in the country. Firms therefore face foreign exchange risk as a result of these fluctuations. Moreover, the world is becoming a global village and more economies are opened up causing more exposure to foreign exchange rate fluctuations,"* Revealed another Key Informant

> *"We implore our government, to help the stressed out firms that procure their raw materials especially for agriculture to be considerate that the sector is poorly organized and yet employs the largest majority of Ugandans by giving the agro-input dealers subsidies,"* Urged one of the Key Informants

The implication from the above key informant interviews points to the fact that Agro-input dealers face exchange rate fluctuations occasioned by forces or variables outside their control and yet they have to secure the required raw materials from foreign countries.

4.5 Regression analysis

Table 4. 10: Correlation between Exchange rate and Performance of Agro-input dealers

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.828[a]	.738	.501	3.02781
a. Predictors: (Constant), interest rate, inflation, exchange rate				

Source: Primary Data (2017)

The Model summary table 4.10 of the regression result above provides information about the regression line's ability to account for the total variation in the dependent variable (Performance of Agro-input dealers). In this study, the independent variables were Interest rates, Inflation and Exchange rate while the dependent variable was Performance of Agro-input dealers. The dependent variable (Performance of Agro-input dealers)'s total variation can be measured by its variance (independent variables such as interest rates, Inflation and Exchange rate) which proportion varies between 0 and 1 and is symbolized by R^2 (R Square). From the above table, the value of R^2 is 0.738, which means that 73.8 % of the total variance in Performance of Agro-input dealers has been 'explained'.

Table 4. 11: The ANOVA

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	71.027	3	18.237	4.790	.001[a]
	Residual	611.014	36	2.554		
	Total	682.041	36			
a. Predictors: (Constant), interest rate, inflation, exchange rate						
b. Dependent Variable: per agro						

Source: Primary Data (2017)

Table 4. 12: The Regression Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.055E-16	.119		.000	1.001
	Interest rate	-.671	.012	.322	1.881	.005
	Inflation	-.597	.038	.145	1.344	.008
	exchange rate	-.702	.014	.120	1.765	.007
a. Dependent Variable: perfagro						

Source: Primary Data (2017)

Results from the regression analysis (Table 4.11) confirm the results in the correlation (Table 4.12) in that Interest rates have a negative coefficient (-0.671) and is statistically significant at 5% levels of Confidence with the p-value of 0.005 which is less than the 0.05 meaning that increase in interest rates negatively affect the Performance of Agro-input dealers in Kampala Capital City.

Results further show Inflation has a negative coefficient (-0.597) and is statistically significant at 5% levels of Confidence with the p-value of 0.008 which is less than the 0.05 meaning that an increase in Inflation levels negatively affect the Performance of Agro-input dealers in Kampala Capital City.

Results also show exchange rate have a negative coefficient (-0.702) and is statistically significant at 5% levels of Confidence with the p-value of 0.007 which is less than the 0.05 meaning that increase in the Exchange rate levels negatively affect the Performance of Agro-input dealers in Kampala Capital City.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The general objective of the study was to examine the economic factors and Performance of Agro-input Dealers in Kampala Capital City, Uganda. The study specifically examined; the extent to which Interest rates affect Performance of Agro-input dealers in Kampala Capital City, Uganda; the extent to which Inflation affect Performance of Agro-input dealers in Kampala Capital City, Uganda; and the extent to which Exchange rate affect Performance of Agro-input dealers in Kampala Capital City, Uganda. This chapter presents the summary, discussion, conclusions and recommendations based on the findings of the study and the concluding remarks.

5.2 Summary of Findings

5.2.1 Effect of Interest rates on Performance of Agro-input dealers

The results indicate a negative correlation (-0.605) between Interest rates and Performance of Agro-input dealers. Interest rates and Performance of Agro-input dealers is statistically significant meaning we reject the null hypothesis that Interest rates has no significant effect on Performance of Agro-input dealers and accept the alternative hypothesis that Interest rates has significant effect on Performance of Agro-input dealers. The inverse relationship shows that when the levels of Interest rates are increased, Performance of Agro-input dealers decreases as it erodes their ability to borrow money to finance their activities and at the same time increases the amount of the already borrowed funds hence crowding out private investment.

5.2.2 Effect of Inflation on Performance of Agro-input dealers

The results indicate a negative correlation (-0.730) between Inflation and Performance of Agro-input dealers. Inflation and Performance of Agro-input dealers is statistically significant meaning we reject the null hypothesis that Inflation has no significant effect on Performance of Agro-input dealers and accept the alternative hypothesis that Inflation has significant effect on Performance of Agro-input dealers. The inverse correlation shows that when the levels of Inflation are high and persistently increasing, the Performance of Agro-input dealers' declines as it creates an atmosphere where much money is chasing fewer goods and as a result buying goods outside the country becomes expensive hence unfavourable trade terms.

5.2.3 Effect of Exchange rate on Performance of Agro-input dealers

The results indicate a negative correlation (-0.701) between Exchange rate and Performance of Agro-input dealers. Exchange rate Factors and Performance of Agro-input dealers is statistically significant meaning we reject the null hypothesis that Exchange rate has no significant effect on Performance of Agro-input dealers and accept the alternative that Exchange rate has significant effect on Performance of Agro-input dealers. The inverse correlation shows that when the levels of Exchange rate persistently increase, the Performance of Agro-input dealers' declines as it make it harder to transact business with the countries where agro-inputs are sourced. Increasing levels of foreign exchange rates means a weaker Uganda shilling making it expensive to purchase the raw materials for agro-input dealers from foreign countries.

5.3 Discussion of Findings

5.3.1 Effect of Interest rates on Performance of Agro-input dealers

The study findings are in agreement with Ndikumana (2000) study that supported the neoclassical view urging that real interest rates are expected to affect private investment

negatively since higher interest rates raise the user cost of capital and therefore reduce investment.

The study findings disagree with Shafik (1992) & Agrawal (2001) studies that concluded that interest rates affect private investment positively urging that theoretically, interest rates should be a crucial variable, positing further that the insignificant effect of interest rates on investment has been a common and often problematic finding in much empirical work.

The study findings agree with Khan and Khan (2010) study on the Pakistan textile which observed that high interest rates is considered as main reason for the declining growth of textile sub sector urging that the government of the Pakistan can increase growth of their textile sector by lowering the interest rates and introducing the new technology via research and development.

The study findings are further supported by Khan and Khan (2010) who studied the effect of economic variables on the performance of the Nigerian Economy. Their result shows that the interest rate is negatively related with non-oil exports, agricultural sector, manufacturing sub-sector and GDP.

The study findings are also in agreement with Kibet (2016) study on Relationship between Macroeconomic factors and Financial Performance of Agribusiness Companies listed at the Nairobi Securities Exchange in Kenya that concluded that the interest rate explained a highly significant negative proportion of the change in financial performance of listed agri-business companies.

5.3.2 Effect of Inflation on Performance of Agro-input dealers

The study findings are also in agreement with Kibet (2016) study on Relationship between Macroeconomic factors and Financial Performance of Agribusiness Companies listed at the Nairobi Securities Exchange in Kenya that concluded that inflation rate explained a highly significant negative proportion of the change in the financial performance of listed agri-business companies.

The study findings agrees with Hellerstein (1997) study that observed that Inflation increases transactions and information costs, which directly inhibits agribusiness performance urging further that inflation makes nominal values uncertain, investment planning becomes difficult. Individuals may be reluctant to enter into contracts when inflation cannot be predicted making relative prices uncertain hence the reluctance to enter into contracts over time leading to their closures.

The study findings further agrees with Oshikoya (1994) study which concluded that in an inflationary environment, intermediaries will be less eager to provide long-term financing for capital formation and growth, adding that both lenders and borrowers will also be less willing to enter long-term contracts as high inflation is often associated with financial repression as governments take actions to protect certain sectors of the economy.

The study findings are supported by Rossiter (2002) study that observed that inflation affects investment in several ways, mostly inhibiting business growth and the source of inflation is money and the supply of it. He argued that investors need to be able to expect returns in order for them to make financial decisions and if people cannot trust money, then they are less likely to

engage in business relationships which results in lower agribusiness investment, production and less socially positive interactions.

The study findings are in agreement with Oshikoya (1994) study that observed that inflation forces people to start to attempt to trade by other less efficient means in order to avoid the unpredictable price levels and alternatively, anticipated high inflation raises the cost of acquiring capital and thus lowers capital accumulation meaning that high inflation rates are an indicator of macroeconomic instability, which can have adverse impact on investment.

5.3.3 Effect of Exchange rate on Performance of Agro-input dealers

The study findings are also in agreement with Kibet (2016) study on Relationship between Macroeconomic factors and Financial Performance of Agribusiness Companies listed at the Nairobi Securities Exchange in Kenya that concluded that the exchange rate explained a highly significant negative proportion of the change in the financial performance of listed agri-business companies.

The study findings are in agreement with Ghura and Goodwin (2000) study that observed that the main demand side effects of exchange rate are a reduction in private sector real wealth and expenditure, due to the impact of the rise in overall price level on the real value of private sector financial assets.

The study findings also agreed with Froot and Stein (1991) study that concluded that real devaluation of the exchange rate decreases domestic demand, and when the firms face sales binding constraints, there are bound to be slumps in aggregate economic activity which induce firms to reduce investment spending.

The study findings are in agreement with Ghura and Goodwin (2000) study that observed that on the supply side, the effect of exchange rate is ambiguous. On one hand, real depreciation of the currency raises the cost of imported capital goods, and since a large component of investment goods are imported in developing countries, depreciation lowers investment in the non-tradable goods sector.

The study findings agrees with Froot and Stein (1991) and Gilchrist and Himmelberg, (1995) studies that devaluation of the exchange rate by raising the profitability of the tradable goods sector would be expected to stimulate private investment in that sector and that higher profitability also influences investment decisions either through the availability of the internal funds or the terms of credit.

5.4 Conclusions

5.4.1 Interest rates and Performance of Agro-input dealers

The study concluded that interest rates are vital variables in explaining the variations in performance of agro-input dealers in Kampala Capital City.

5.4.2 Inflation and Performance of Agro-input dealers

The study concluded that Inflation factors are vital variables in explaining the variations in performance of agro-input dealers in Kampala Capital City.

5.4.3 Exchange rate and Performance of Agro-input dealers

The study concluded that exchange rate factors are vital variables in explaining the variations in performance of agro-input dealers in Kampala Capital City.

5.5 Recommendations

5.5.1 Interest rates and Performance of Agro-input dealers

The findings of the study clearly indicate that the rising rate of interest on borrowed funds is a hindrance to the growth of the agro-input sub sector. Therefore, it is recommended that government through Bank of Uganda should ensure the interest rates are kept a minimum (lower rate) for Agro-input dealers to borrow and invest in their business.

5.5.2 Inflation and Performance of Agro-input dealers

The study recommends that government through Ministry of Finance, Planning and Economic Development and Bank of Uganda should ensure that inflation pressures be maintained at lower levels through inflation targeting as investment in agriculture is prioritized to ensure that the cost of food does not spiral out of hand.

5.5.3 Exchange rate and Performance of Agro-input dealers

The study recommends that Bank of Uganda continues to ensure that the exchange rate is kept under close watch as its spiral has a disastrous effect on the business community. This study further recommends that where necessary, when the exchange rate is increased arbitrarily, government through Bank of Uganda should intervene to bring it back to normal levels or stabilize it so as not to stress the already stressed business people.

5.6 Areas for future research

While doing this research we have considered few macroeconomic variables to identify impact of these variables on the performance of Agro-input dealers in Kampala capital City. The future researches can be done by adding some more macroeconomic factors and expanding to cover the whole country.

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APPENDICES

Appendix 1: Questionnaire for Agribusiness Enterprises

SECTION 1: Introduction

Dear Respondent,

I am a student at Uganda Management Institute (UMI), Kampala currently pursuing a Masters Degree in Business Administration (MBA). I am carrying out a research on **Economic Factors and Performance of Agro-input dealers in Kampala Capital City, Uganda.**

Your business has been identified as a suitable agro-input enterprise for this study. Please kindly respond to the following questions. Your responses and views shall be used strictly for this research purpose, and will be treated with utmost confidentiality. Your valuable time and responses will be very instrumental to the success of this research.

Thank you in advance for your valuable time and commitment in filling this questionnaire.

Yours Sincerely,

OMIAT EMMANUEL GILBERT

SECTION 2: BACKGROUND INFORMATION

a) Name of the Business Enterprise……

b) In this section, please tick or put a circle round the suitable response which best explains your opinion or view.

1. Gender of the respondent

Male	Female
1	2

2. Age of the respondent (Years)

Below 18 Years	18-25 Years	26-45 Years	Above 45 Years
1	2	3	4

3. Religion of the respondent

Catholic	Protestant	Islam	Seventh Day Adventist	Orthodox	Others (Specify)
1	2	3	4	5	6

4. What is the highest academic qualification you have attained?

O' Level	A' Level	Diploma	Degree	Masters	Others (Specify)
1	2	3	4	5	6

5. Level of management held by the respondent in the agribusiness

Low Level Management	Middle Level Management	Top Level Management
1	2	3

c) The Agribusiness / Enterprise

1) Type of Business ownership

Sole Proprietorship	Partnership	Corporation
1	2	3

2) Age of the Enterprise (Years)

Below 1 Year	Between 1-3 Years	Between 3-5 Years	Between 5-10 Years	Above 10 Years

3) Nature of agro-input supply

What type(s) of agro-inputs does your enterprise supply?

Seeds	
Agro-chemicals (Pesticides and Fungicides)	
Chemical fertilizers	
Agricultural tools and machinery	

4) Number of Employees

How many people are employed by your enterprise?

Between 1 and 10	Between 10 and 25	Between 25 and 40	Between 40 and 55	Above 55

5) Annual Revenue (U.Shs. Millions)

What is your annual revenue?

0-5 M	51-100 M	100-150 M	150-200M	Above 200 M

SECTION 3: ECONOMIC FACTORS

Instructions

Please indicate the extent to which you agree with the following statements on economic factors and the performance of your agro-input enterprise.

In this section, please answer the questions based on the scale below:

Strongly Agree (SA)	Agree (A)	Not Sure (NS)	Disagree (D)	Strongly Disagree (SD)
5	4	3	2	1

Please tick the suitable response number which best explains your opinion or view

S/No	Variable	5	4	3	2	1
Economic Factors						
Interest Rate						
1	I knew the interest rate that was prevailing at the time I started agribusiness venture					
2	The interest rate affected the startup of my agribusiness					
3	I knew the impact of the interest rate on my agribusiness venture					
4	The interest rate affected my agribusiness upon starting					
Inflation Rate						
5	I knew the inflation rate that was prevailing at the time I started agribusiness					
6	The inflation rate affected the startup of the agribusiness					
7	I knew the impact of the exchange rate on my agribusiness venture					
8	The inflation rate affected my agribusiness upon starting					
Exchange Rate						
9	I knew the exchange rate that was prevailing at the time I started agribusiness					
10	The exchange rate affected the startup of my agribusiness					
11	I knew the impact of the exchange rate on my agribusiness venture					
12	The interest rate affected my agribusiness upon starting					

SECTION 4: PERFORMANCE OF AGRO-INPUT DEALERS

Instructions

Please indicate the extent to which you agree with the following statements on economic factors and the performance of your agro-input enterprise.

In this section, please tick the suitable response number which best explains your opinion or view based on the scale below:

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
5	4	3	2	1

S/No	Scale	5	4	3	2	1
	Profitability					
13	My decision to start the agro-inputs enterprise was due to the profits I expected to earn from the business					
14	I knew my expected profit at the start of the agro-inputs business venture					
15	The profits from my business have increased					
16	I knew my expected costs at the start of my agro-inputs business venture					
17	I knew my expected revenue at the start of my agro-inputs business venture					
18	The agro-inputs business costs have now reduced compared to the revenue					
19	The revenue into the business has now increased					

Thank for very much for all your responses in this study. All information you have provided will be kept confidential.

SECTION 4: PERFORMANCE OF AGRO-INPUT DEALERS

Instructions

Please indicate the extent to which you agree with the following statements on Performance of agro-input dealers in Kampala Capital City, Uganda.

In this section, please tick the suitable response number which best explains your opinion or view based on the scale below:

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
5	4	3	2	1

S/No	Scale	5	4	3	2	1
	Customer care and satisfaction					
20	I always find all the farm inputs that I need to purchase with my agro-inputs supplier					
21	My agro-inputs supplier responds to my questions and gives me all the information I require in a satisfactory manner					
22	My agro-input supplier teaches and guides me on the use and application of the agro-inputs that I purchase					
23	My agro-inputs supplier shows commitment whenever I request for guidance and information about agro-inputs that I purchase					
26	My agro-inputs dealer listens to and acts upon my complaints					
28	My agro-input supplier has adequate and qualified staff to provide services to me					
30	My agro-inputs supplier provides me with after sales service					

Thank for very much for all your responses in this study. All information you have provided will be kept confidential

Appendix 2: Interview Guide

TOPIC: Economic Factors and Performance of Agro-input Dealers in Kampala Capital City, Uganda.

Part One

To establish the extent to which interest rate affects performance of agro-input dealers.

i. What was the interest rate during the period you started your business?
ii. What effect did it have on your agribusiness start up process?
iii. What problems if any, do you have with the current interest rate?

Part Two

To establish the extent to which inflation affects performance of agro-input dealers.

i. What was the inflation rate during the period you started your business?
ii. What effect did it have on your agribusiness start up process?
iii. What problems if any, do you have with the current inflation rate?

Part Three

To establish the extent to which exchange rate affects performance of agro-input dealers.

i. What was the exchange rate during the period you started your business?
ii. What effect did it have on your agribusiness start up process?
iii. What problems if any, do you have with the current exchange rate?

Part Four

Performance of Agro-input business

i. Did you consider both economic factors (i.e. profits, interest rate, inflation rate and exchange rate) as you started your business?
ii. What problems did you face in general during the start of your agribusiness?
iii. Which of the above problems where major?
iv. What were the reasons for your idea to start this agribusiness?
v. What risks did you take at the start up of the agribusiness?

vi. What plans did you put in place to mitigate or reduce the above risks?
vii. What is the future of your business in the next 1-3 years?
viii. How is your current business profits compared to with your expected profits?
ix. How many employees did you have at the beginning of the business and how many do you have now?
x. In how many locations can one find your branches across the country?
xi. Do you have any regrets for starting this agribusiness enterprise?

Thank for very much for all your responses in this study. All information you have provided will be kept confidential.

Appendix 4: Introductory Letter

UGANDA MANAGEMENT INSTITUTE

Telephones: 256-41-4259722 /4223748 /4346620
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256-75-2259722
Telefax: 256-41-4259581 /314
E-mail: admin@umi.ac.ug

Plot 44-52, Jinja Road
P.O. Box 20131
Kampala, Uganda
Website: http://www.umi.ac.ug

Your Ref:

Our Ref: G/35

14th December, 2016

TO WHOM IT MAY CONCERN

MASTERS IN BUSINESS ADMINISTRATION DEGREE RESEARCH

Mr. Omiat Emmanuel Gilbert is a student of the Master of Business Administration of Uganda Management Institute 8th Intake 2012/2013, **Reg. Number 12/MBA/08/041.**

The purpose of this letter is to formally request you to allow this participant to access any information in your custody/organization, which is relevant to his research.

His research Topic is: ***"Economic Factors and Performance of Agro-Input Dealers in Kampala City, Uganda".***

Yours Sincerely,

Oluka Pross Nagitta
AG. HEAD, DEPARTMENT OF ECONOMICS AND MANAGERIAL SCIENCE

Appendix 5: Field Research Letter

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Website: http://www.umi.ac.ug

Your Ref:

Our Ref: G/35

14th December, 2016

Mr. Omiat Emmanuel Gilbert
12/MBA/08/041

Dear Mr. Omiat,

FIELD RESEARCH

Following a successful defense of your proposal before a panel of Masters Defense Committee and the inclusion of suggested comments, I wish to recommend you to proceed for fieldwork.

Please note that the previous chapters 1, 2 and 3 will need to be continuously improved and updated as you progress in your research work.

Wishing you the best in the field.

Yours Sincerely

Pross Oluka Nagitta
AG. HEAD, DEPARTMENT OF ECONOMICS AND MANAGERIAL SCIENCE