UGANDA MANAGEMENT INSTITUTE

FACTORS INFLUENCING DEMAND FOR MONEY IN THE BUSINESS SECTOR

CASESTUDY: MACDOUGH FOODS UGANDA LIMITED

BY

ALADO VERONICA

14/U/7621/EKE/PE

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Declaration

I declare that this research is the work of my own and has not been submitted to any other academic institution or university in order to award any sort of a degree.

ALADO VERONICA__________________ Date____________________

14/U/7621/EKE/PE

Approval

This is to certify that this research report has been produced under my supervision and guidance and is now ready for submission to the university with my approval.

Sign________________________ Date___________________

MR. LULE GEORGE

SUPERVISOR

Dedication

I would like to dedicate this research to my father Mr. Celestine Alou for his endless support and prayers in every walk of life not forgetting my beloved brothers and sisters for their help. I cannot proceed without special dedications to all my friends and well-wishers who were always there for me in times of need.

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List of abbreviations

DFIs – Development Financial Organization
ILO - International Labor Organization

Abstract

The intention of this research was to determine the factors that influence demand for money in the business sector, the case study of Macdough foods Uganda limited.

The general research objective was to determine the factors influencing demand for money having specific objectives like; to determine the effect of interest rate on demand of money, to investigate the relationship between investment climate and demand for money, to find out how the demand for a product influences demand for money in Macdough foods Uganda limited with the respective questions.

The research had a sample population size of 105 respondents. The study employed a case study research design and methodology that was used in this study. Questionnaires and documentary review were the major tools of data collection. The data collected was analyzed; carefully classified edited basing on clarity, completeness, accuracy and consistencies then thereafter the conclusion were drawn from the findings.

According to the findings, it was found out that the company pays high interest rates which greatly affected the company's demand for money. The study also further showed that the level of investment reduced due to the high interest rates imposed on the loans by the financial institutions and finally the researcher found out that the demand of a product is greatly affected by the price of the product.

It was concluded that, interest rates have a negative effect on demand for money, investment climate has a positive relationship with demand for money and finally the demand of a product has positively influenced demand for money in the company.

In the recommendations, the company managers should endeavor to attend to business skills and loan servicing short training workshops if they are to meet their objectives and from the findings, the researcher proposed that all financial institutions should revise their interest rates to such amount afford able by people and companies of different economic level.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The demand for money is one of the key functions in formulating effective and appropriate monetary policy. For this purpose there is need to have clear understanding regarding the monetary aggregates which need to be controlled by monetary authorities. The existing literature on demand for money reveals that not much attention has been given to analyze the relationship between money demand and its determinants in developing countries like Uganda, Ibrahim 2001.

Some of the previous studies on money demand have neglected the role of foreign monetary developments which have also played significant role in domestic demand for money especially in open economies, monetary development like foreign interest rate and exchange rates influence domestic demand for real cash balances under flexible exchange rate hence it can make the domestic money demand functions unstable. Mundell (1963) first of all pointed out the existence of the relationship between demand for money and exchange rate. In his opinion in addition to the tradition variables the impact of exchange rate on demand for money cannot be ignored. The less restricted movement of capital and growing needs of foreign trade may make money demand functions unstable.

Mckinnon (1982) advocated specific channel of effects called currency substitutional hypothesis which suggested that the countries with flexible exchange rates are subjected to external monetary shocks transmitted through international financial markets.

Arango and Nadiri (1981) are of the opinion that depreciation of domestic currency (or appreciation of foreign currency) increases the domestic currency value of foreign assets which leads to an increase in the wealth of a country leading to an increase in the demand for real cash balances. This indicates that exchange rate depreciation has a positive impact on the demand for money

However Bahmani- osmoose and Pourhrdrian (1990) point out that depreciation of domestic currency and it's expectation of further depreciation may result in holding less of domestic currency and more of money. This reveals that exchange rate depreciation has a negative impact on the demand for domestic currency (money)

Money demand is one of the major concerns in the business sections in Uganda, as businesses often spread a considerable amount of money in order to determine the amount of money demand that the public has for its products and services. Incorrect estimations will either result in money left on the table if it's underestimated or losses if it's over estimated.

Business sections often demand for money in form of credit (loans) from the financial sections in order to keep their businesses going. Usually this money is supposed to be paid back along with interest at some future predetermined period of time. Therefore a loan is the money given to the borrower but supposed to be paid back with interest to the lender in a given period of time.

Traditional finance theory argues that as the size of a loan expands, interest rate on that loan rises to accommodate the increased risk associated with the loan. However, utilizing firm level data of the Barbadian banking industry, it is observed that the smaller the loan's size, the greater the interest rate applied, and vice versa.

In order to lend, banks accept deposits from the public against which they provide loans and other form of advances. Since they bear a cost for carrying these deposits, banks undertake lending activities in order to generate revenue. The major sources of revenue comprise margins, interests, fees and commissions.

The purpose for which a loan is sought is an important consideration to the bank because of the risks in the lending activities. Banks being profit driven, seek to maximize returns while minimizing risks. This seemingly paradox constrain banks to examine not only viability of a project but also loan repayment prospects.

This study therefore is an attempt to investigate the factors influencing the demand for money in Macdough Uganda limited considering the movements of exchange rate as an important determinant of demand for money.

Macdough Foods Uganda limited is a tomato sauce, chili sauce, tomato paste mango juice and apple juice producing company situated in Mutungo, Kitintale, Nakawa division, Kampala Uganda, started operating in 2001. According to Salha one of the founders of the company, the tomato and chili sauce business was inspired after noticing a vacuum and growing demand given the rapid growth of Uganda's fast food business then. Due to lack of capital, unstable prices and escalating prices especially for sugar Macdough foods limited have advanced for credit to boost their business.

1.2 Problem statement

Macdough Foods Uganda limited was recognized among 100 top companies in 2013 by Uganda Rank Name of companies limited (COSEKE. UG. LTD). However Macdough foods is facing enormous decrease in the supply of tomato and chili sauce due to escalating prices of sugar being the most prominent tests, unstable prices especially when tomatoes are out of season the most important one is lack of capital (Waqar Akram, 2008).

Due to shortage of capital, tomato and chili sauce producers are unable to fulfil their set objectives and ultimately cannot employ skilled labor or modern technologies to increase the quality and quantity of the produce. Shortage of capital is one of the prevailing problems that result in to stagnation of business sector in particular Macdough foods Uganda limited. Assefa (1987), the vicious circle of poverty i.e. the low productivity, low income, and gain in the business sector is brought about by shortage of capital which has affected business productivity, income and gain. Therefore the research was geared towards identifying the determining factors in the demand for money in Macdough foods Uganda limited.

1.3 Objectives of the study

1.3.1 General objective

The general objective of the study was to determine factors influencing demand for money in Macdough Foods Uganda limited.

1.3.2 Specific objectives.

The specific objectives of the study were;

i. To examine the effects of interest rate on the demand for money in Macdough foods Uganda limited.
ii. To investigate the relationship between investment climate and demand for money in Macdough foods Uganda limited.
iii. To find out how the demand of the product influences demand for money in Macdough foods Uganda limited.

1.4 Research questions

The study was guided by the following questions;

i. What is the effect of interest rate on demand for money in Macdough foods Uganda limited?
ii. What is the relationship between investment climate and money demand in Macdough foods Uganda limited?
iii. How does the demand of the product influence demand for money in Macdough foods Uganda limited?

1.5 Scope of the study

1.5.1 Time scope

The research was for the period of four months. The proposal was drafted within July and August and data collected within September 2017 when the report was compiled.

1.5.2 Geographical scope

The study was carried out in Macdough foods Uganda limited situated in Mutungo, Kitintale, Nakawa division, Kampala Uganda.

1.5.3 Content scope

The research examined the effects of interest rate on the demand for money, investigated the relationship between investment climate and demand for money and finally this research found out how the demand of a product influences the demand for money in Macdough foods Uganda limited.

1.6 Significance of the study

This study will be significant in the following ways;

This study will improve on the monitory policy of business institution and individuals and avail them with a better understanding of how demand for money affects their acquisition of loans and how other factors affect the demand for money.

Findings from this research will help financial institutions like banks to be able to revise and prepare alternative interest rates policies that will aid in increasing accessibility of money by business sector or individuals. Therefore this will promote entrepreneurship, employment and income generation.

This study will offer improved search and analysis skills amongst researchers which can be used to improve and accelerate skill in advocating for the demand of money in the business sector. Also the findings from this research will be used as the basis for the researcher and scholar for the study purpose

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature review covers the factors that determine the demand for money in Macdough foods Uganda limited, the effects of interest rates on demand for money in Macdough foods Uganda limited, the relationship between investment climate and demand for money in Macdough foods Uganda limited, find out how the demand of a product influences demand for money in Macdough foods Uganda limited. The researcher will consult the work of loaned scholars and researchers in order to understand and investigate the research problem, sources such as books, magazines, journals, internet and dissertations are analyzed to deepen the theoretical foundation of research.

A lot of consultation from all kinds of professions and auditors mainly from Macdough foods Uganda limited and intensive reading will also be employed to extract a more suitable and complemendable literature review.

2.1 Theoretical literature

2.1.1 Demand for money in Macdough foods Uganda limited.

According to Black (2003), demand for money refers to the amount of money people wish to hold or the function determining this. In other words, it is referred to as the desire to hold cash. The demand for money arises from two important functions of money; medium of exchange and the store of value. The study of the demand for money is not restricted to the money market, but also involves other market such as the commodity, capital and foreign exchange market.

According to Jhingan (2004), demand for money arises from two important functions of money. The first is that money act as a medium of exchange and the second is that it is a store of value. Thus individuals and businesses wish to hold money partly in cash and partly in the form of assets. Why do individuals desire to hold money? In an attempt to answer this question, several economists made several assertions on the reason(s) why people hold money.

Keynes (1936) laid the foundation for the development of all modern theories on the demand for money hence regarded as the father of modern theories of money demand. This paper examines factors influencing demand for money in Macdough foods Uganda limited The Keynesian perspective According to Jhingan (2004), one of the major criticisms of the Cambridge version is their neglect of the store of value function of money even though they expanded the scope of the demand for money. Keynes, a product of Cambridge, further extended the concept of the demand for money in two of this works on money, a trade on monetary reform (1923) and a treatise on money (1930).

2.1.2 The effect of interest rate on demand for money in Macdough foods Uganda limited.

The interest rate constitutes the percentage paid or charged for use of money. Interest rate is charged on borrowed money, which is commonly referred to as loan. According to Muriuki (2013), the interest rate constitutes the percentage charged by lenders on the total amount of a loan. In particular, interest rate is the percentage payable based on the principal amount of the loan within a specified period of time. It is the borrowers who pay interest rates to the lenders. Mostly banks charge higher interest rates. Higher interest rates imply that few individuals and businesses are willing or able to make borrowing. Higher interest rates lower money demand, amount of credit meant to fund purchases and consumer demand (Muriuki, 2013). Further, higher interest rates encourage individuals to make savings due to the attractive interest rate on savings. Higher interest rates lead to inadequate capital, a problem that is more severe for expanding businesses. Insufficient liquidity may lead to a downturn in economic activities.

Lavington (1921) identified the interest rates as a key determinant of marginal opportunity cost of holding money, that fisher (1930) later concurred. Hicks (1935) argued that the money demand theory should be built with a frame work of traditional value theory, in which money demand is the outcome of the problem choice among alternative assets object to wealth (balance sheet) constraint and hence is influenced mainly by anticipations of yields and risk of these assets as well as by transactions costs. However, it was Keynes who provided a convincing explanation on the importance of the interest rate variables affecting demand and emphasized the significance for macroeconomic analysis of interest sensitivity of money, liquidity preference.

The expected return on the borrower's proposed investment project plays a key role in influencing the lender's loan rationing behavior (Kochar 1997:344). Here the interest rate plays a role of screening device. If the expected returns is higher than the principle loans amount interest (the terms of the loan), then the possibility of default will be high. In such a scenario, the optimal lender's decision will be either to ration the borrower by granting a smaller amount than originally applied for or to completely reject the loan application.

Money markets are characterized by imperfect information that disables interest rates from playing their classical market-clearing role (Baydas et al. 1994:280). Information asymmetry in loan markets arises because borrowers have better information about their potential risk of default than the lenders (Aleem 1990:330). This asymmetry is compounded inform of loan markets by the facts that the loan histories of borrowers are not documented and pooled. The costs of acquiring this information are very high, both in terms of time and financial resources. The other complication is about its reliability. If lenders collect such information from the potential borrowers themselves, borrowers are most likely to give exaggerated views of their loan worthiness. This raises the need to validate such information from their community members, there is a tendency to the level of reliability of the information, and this may result in adverse selection and moral hazard, both forms of behavior of borrowers which may negatively affect the lender's returns on loans.

Adverse selection occurs when borrowers with safe (and low default risks) projects decide to opt out of the loan market in the face of raising interest rates, while more risky projects with potential higher returns but with higher probability of default are attracted into the market. An increase in the interest rate increases the probability of attracting projects with high probability defaults, which in turn reduces the probability of lending operations.

Numerous theories have advocated for diverse relationships (positive or negative) between interest rate and the demand of money Choudhry, (1999). Portfolio theory of money demand indicates that high interest rate volatility leads to a high demand for money. Although money is a desirable asset within financial portfolios, its returns peroxide by interest rate is often lower than that of other assets. This is attributed to the fact that during high interest rate, the value of money will relatively remain intact, while the value of assets such as bonds will change. This makes money less risky (Celikoz & Arslan, 2011).

2.1.3 Relationship between investment climate and demand for money in Macdough foods Uganda limited.

Different definitions of investment climate have been proposed in the literature. Nicholas Stern, who as the World Bank Group Senior Vice President and Chief Economist in the Early 2000s elevated investment climate to an important area of focus for the World Bank Group, defined it as "the policy, institutional, and behavioral environment, both present and expected, that affects the returns and risks associated with investment"(Xu 2011, p.1). The World Bank's Productivity and Investment Climate Survey Implementation Manual (World Bank 2003) was designed to give World Bank task managers guidance on preparing investment climate surveys and completing Investment Climate Assessments. It adopted a similarly broad definition by suggesting that studies of the investment climate should discuss "factors constraining the effective functioning of product markets, financial and nonfinancial factor markets, and infrastructure services, including, in particular, weaknesses in an economy's legal, regulatory and institutional framework" (World Bank 2003). In 2005 the World Bank's flagship World Development Report focused on the investment climate and defined it in a similar way as "the set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs, and expand" (World Bank 2004b).
Investment means capital expensive (e.g. purchasing machines or building bigger factory). Investment climate is the economic and financial conditions in a country that affect whether individuals and businesses are willing to lend money and acquire a stake in the businesses

operating there. Investment climate is affected by many factors including; poverty, crime, infrastructure, taxes, political instability etc.

Many studies have found that political instability seriously erodes foreign investors' confidence in the local investment climate repelling foreign investment away. Barro (1991) and Corbo and Schmidt-Hebbel (1991) stated that political instability creates an uncertain economic environment detrimental to long-term planning, which reduces economic growth and investment opportunities.

Leavell et al. (2004) addressed the importance of political structure, level of political corruption, efficient markets, enforceable contracts and property rights in attracting both domestic and foreign Investment. Asiedu (2002) and Haque et al. (1997) contended that countries located in Sub-Saharan Africa are perceived as inherently risky, which likely keeps foreign investors away from that region. Quazi and Rashid (2004) found that when economic freedom is incorporated as a determinant of Investment, there remains no inherent bias against Sub Saharan Africa, but there is indeed a regional bias in favor of countries located in Latin America & Caribbean vis-à-vis other developing regions.

Availability of skilled workers can significantly boost the international competitiveness of a host country. Hanson (1996), Root and Ahmed (1979), and Schneider and Frey (1985) found that the level of human capital, which is a good indicator of the availability of a skilled work force, is a significant determinant of the locational advantage of a host country and plays a key role in attracting investment which in turn increases money demand. Noorbakhsh et al. (2001) also found that human capital, which can also be a proxy for investment attractiveness in the country.

Investment rate increases if there is good and attractive investment climate in the country and growing surplus above the current consumption that can be tapped and directed into productive investment channels (Meier, 1976).

Neo classical theory of investment developed by Jorgenson (1963) and Hall and Jorgenson (1967) advocate that a firm's optimization problem could be solved without reference to financial factors, qualifying the user cost of capital as the sole determinant of investment.

The relevant economic theory was further enhanced by development of the q model of investment (Brainard and Tobin, 1968; Tobin, 1969). Tobin (1969) defines q as the market value of a firm divided by replacement cost of its capital. According to this metric a high value of q implies that companies can issue stock at a favorable price compared to the cost of a new plant and equipment. Therefore investment is attractive provided q is greater than utility.Guariglia (1999) studying UK case on investment finds significant link between financing variables and inventory investment which is stronger for firms with weak balance sheets during periods of recession and tight monetary policy.

2.1.4 How the demand of a product influences the demand for money in Macdough

Economists have attempted to explain consumer behavior on demand for a commodity or product using different theoretical and empirical economic concepts. A large number of social-economic factors play an important role in determining demand for a commodity by an individual businesses or company. Money is an important commodity for improving the welfare of the poor in their micro-economic activities especially in developing countries. In the Ugandan economy, most of small-scale enterprises are operated within the informal sector. The sector covers all semi-organized and unregulated economic activities that are small scale in terms of employment. Its economic contribution is more than double that of medium and large enterprise sectors that stands at 18.5% of the country's GDP (Emmanuel Tumusiime Mutebile : contributions and development of Uganda's private sector 2012/2013). The sector therefore is a major
Source of employment and income to many households in Uganda.

Demand theory was first raised as a fundamental principle of microeconomics by a French economist Leon Walras (1834-1910). The theory is an analysis of the relationship between the demand for goods or services and prices which examines purchasing decisions of consumers and subsequent impact of prices on commodity demanded. According to Walras (1834-1910), price of a commodity influences its demand. This theory was criticized by later up-coming economists as shallow; however, they used it as a base to develop the law of demand, stated by many economists as: an inverse relationship exists between the price of a commodity and the quantity demanded of the product, that is, when the price of some commodities goes up, the quantity we consume of these commodities goes down and vice versa, other things held equal (Lispsey et al., 1987; Livingston and Ord, 1994; Saleemi, 2000; Mudida, 2003).

Livingston and Ord (1994) argued that the amount an individual wishes to buy of a commodity depends on several factors. Firstly is his/her taste or preference, which may be influenced by factors such as age, sex, education or religion. Secondly, the amount an individual buys may depend on the price of the commodity. Therefore, if the goods are very expensive, the buying power is reduced and vice versa. In the credit market, this consideration is on implicit and explicit costs of credit, which are added costs to business operators and have to be considered when making a decision to borrow or not to borrow and from which source. Thirdly, Livingston and Ord (1994) explained that amount bought is affected by availability of other goods. This applies more to close substitutes like in this case, consideration of borrowing credit from commercial formal institutions, formal government subsidized institutions, or from informal credit markets. If formal markets prove expensive, borrowers are likely to turn to informal markets. The opposite will apply if the informal markets are expensive. Lastly, Livingston and Ord (1994) pointed out that the size of a household's income affects the amount it buys of a commodity. If the income increases, they will be able to buy more. This argument holds only for necessity goods such as credit borrowing to finance business operations, otherwise it will not apply to inferior goods. The theory of Livingston and Ord (1994) can be supported by the econometric model of Mukras (1993) on demand which is expressed as;

Qc = f(Y, Pc, Pr)

Qc = Quantity demanded of a commodity

Y = Income

Pc = Price of commodity

Pr = Price of related commodities

The broad conclusion of this econometric model on analysis of demand is that quantity demanded of a commodity is a factor of income, price of the commodity and price of related commodities.

David (2001) also argues that when cost of credit goes up, the marginal utility per Shilling raised from that credit goes down. The household or company therefore chooses to consume, or use less of the credit. The concept of utility and marginal utility used by economists explains consumer demand on a commodity. Utility is the capacity or power of a commodity to satisfy the desire of a user (Lisper et al., 1987). Any commodity that satisfies human wants has utility. For example, if credit borrowed will satisfy financial needs of a household or company, then credit has utility (Saleemi, 2000). The main objective of any business operator is to maximize satisfaction out of any financial support borrowed, given or self-made. Jhingan (2001) highlights the application of the Keynesian Theory given by J.M. Keynes (1891) to underdeveloped countries. The theory is about relationship between consumption and income. Jhingan points out that one of the important tools in Keynesian economics is the propensity to consume. When income increases, consumption also increases but by less than the increment in income. This behavior of consumption further explains the rise in savings as income increases. Keynesian theory goes further to analyze this consumption behavior that relationships between income, consumption and savings do not hold in underdeveloped countries because people are too poor. When their income increases, they spend more on consumption because their tendency is to meet their unfulfilled wants. Keynes' assumption was supported by Long (1968) when he set-up a formal model for household borrowing where the household has to choose the allocation of wealth between present and future consumption, between holding capital in risky and less risky forms, and the allocation of time between labor and leisure. Based on data from India and Thailand, his results indicate that giving loans to poor business men or women at low interest rates will do little to improve their plight unless the loans are accompanied by other inputs which shift their productions.

Demand is the quantity of a commodity which consumers are willing and able to purchase at a given price over a period of time. Small-scale industry is mostly operated by people with low income who have many needs but have limited purchasing power. Though the need for credit may be there, the sector operators may not be able to demand credit. An individual's level of income has important effect on his/her level of demand for most products. Mudida (2003), points out that if income increases, the demand for most goods will increase. Small-scale investors tend to cluster and limit their business activities to similar products mostly of low quality that target low income earners. This leads to low business returns that cannot empower the business owners to borrow credit from formal institutions where the trader will be required to undergo implicit and explicit costs. Mudida (2003) further states that prices of related goods, which may be either substitutes or complementary goods or services, affect behavior of consumers.

2.2 Empirical literature review

Emphasis on credit (money) could be attributed to the prolonged and persistent call for credit by both local and international researchers ever since the international labor organization's (ILO's) landmark report advocating small-enterprise development (ILO, 1972). Sources of credit to business investments in Uganda currently include the formal credit institutions which include commercial banks, micro finance institutions such as pride microfinance, vision fund Uganda, letshego and the informal financial institutions such as family and friends, money lenders and trade credit supplies. In less developed countries, there is a very thin difference between households and small scale business owners in decision making and in most cases, these two are synonymous.

Pani (1966) formulated an econometric model which helps to investigate the propensity of different classes of households to borrow in relation to changing rates of interest on cash loans, certain expenditures, etc. The broad conclusions of his analysis based on the Reserve Bank of India district level were that the average household's demand for credit is not wholly inelastic (this is responsiveness of demand to a change in price where with change in price, demand remains the same). In addition, the value of assets held by the household does not by itself seem to be significant in explaining demand behavior. He also found that the marginal tendency to borrow when capital expenditure in households is rising is same for all classes.

Iqbal (1980, 1983) formally set up a household model which explains demand and supply of funds for investment and consumption. The model concluded that: firstly, the households in a position to benefit from a change in the technical sphere tend both to borrow more and face a lower interest rate. Secondly, the household-specific interest rates, when introduced endogenously, are quite sensitive to personal and location characteristics and are significant determinants of borrowing. However, the estimations on Iqbal's model do not include non-borrowers and only single transaction loans are considered. In addition, there is no attempt to separate the demand for credit from the lender's decision on access of the credit. Other economists Nagarajan, Meyer, Hushak (1995) investigated factors affecting loan demand using 1989 – 90 data from the Philippines. The estimation considered multiple loans and found that loan demand was more elastic with respect to the interest rate than when only one transaction was taken per household.

Schmidt and Kropp (1987) pointed out that in most cases the access problem especially among formal financial institutions, is one created by the institutions mainly through their lending policies. What is displayed in form of prescribed minimum loan amounts, complicate application procedures and give restrictions on credit for specific purposes. The type of financial institution and its policy will often determine the access problem to credit borrowers. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access (Schmidt and Kropp, 1987). Development Financial Institutions (DFIs) have their lending policies which according to Schmidt and Kropp (1987) assumption, the loan borrowing policies that the Development Financial Institution put up play a part in influencing credit demand among credit borrowers.

Bell (1990) demonstrated that incomplete information or imperfect contract enforcement generates the possibility of loan default and eventually problems of credit rationing. The result is loan supply and implicit credit demand functions, both of which are simultaneously determinants of credit demand. Bell further argues that the credit demand function can only be interpreted from the borrower's participation decision, that is, the decision to borrow or not to, and from which sector to borrow from. Such decision will depend on, among other things, the borrower's economic endowment and opportunities. Zeller (1994) used a probity regression model to estimate factors that determine business' credit borrowing decision in terms of their participation in the formal or informal credit markets in Madagascar. He divided the factors into individual characteristics, labor assets, household events that affect credit demand and reasons for participation. This approach assumed that credit demand is only influenced by internal factors.

Zeller's findings reveal that the probability of applying for credit significantly increases with the number of years of schooling, increase in age and income that is the poor significantly rely on short-term credits. Zeller also identified that when borrowing credit is perceived as a decision making process, then it starts with the decision of the individual to apply for the credit or not. This depends on whether the individual or company has demand for credit. The choice on source of credit is a decision that an individual household makes (Kimuyu and Omiti 2000), which is partly determined by the information available to the potential borrower on the available sources and their specific requirements. This information is in turn influenced by proximity of the different sources and perceptions about the sort of customers that a particular finance credit source entertains. Therefore credit demand identification problem may be explained through a study on borrower's participation decision.

Empirically, research on the use of credit by businesses tends to suggest that although it is not obvious that demand for credit far outweighs the supply, there are significant obstacles to the transformation of potential demand into revealed demand (Aryeetey, 1996). The absence of supply creates a lack of demand expressed in low revealed demand. According to Aryeetey, due to market failure in the credit market, the transaction cost involved in obtaining credit is considered greater than the utility, prompting businesses to switch profits between activities as a way of financing working capital. This explains that working capital is a big constraint to small-scale business operators. There is need therefore to investigate the significant consideration that companies give to development financial institutions alongside other sources of finance.

Studies carried out by International Labor Organization following financial crises in East Asia (Mark 2003), on financial support for micro and small enterprises in Thailand, revealed that 36% of these enterprises had difficulties in arranging start-up funds, 55% had funded their enterprises with their own funds, 17% obtained funds from government subsidized programmes and 20% of the survey group had borrowed from a bank. In Zimbabwe, a similar pattern emerged 89% of the small-scale operators had never received loan for business purposes, 10% received credit from family or friends, 1% from formal credit institutions and less than 1% from money lenders (McPherson et al., 1998). Despite the liquidity constraints, demonstrated in these surveys, credit borrowing from formal credit markets seems to be low amongst small-scale business operators.

Kimuyu and Omiti (2000), found that low levels of credit demand by enterprises in rural Kenya is a response to a credit supply constrain and an outcome of the spatial structure of the credit market. It is true that concentration of enterprises in rural trading centers is not adequate for sustaining branches of the formal financial institutions. As a result, formal financial institutions tend to be limited to large urban centers. The supplementary survey of Kimuyu and Omiti (2000) on institutional impediments to access to credit by micro and small scale enterprises in Kenya, showed that even in some of the relatively large urban centers such as Mwatate in Coast Province of Kenya, entrepreneurs had not heard of some of the more popular microfinance institutions. Using descriptive statistics and simple regressions (logit estimates), there were observed differences in the amounts borrowed by entrepreneurs in different business activities and in the level of loan applications in relation to gender, location of enterprise and formality status of the enterprises. These factors were reported to be complimented by entrepreneur's age, educational achievements, membership in support groups and enterprise size. However, Mpuga (2004) analyzed demand for credit in rural Uganda and the findings were that rural based businesses are at a disadvantage in terms of demand for credit. Whereas being in the rural area has no significant impact on the probability of applying for credit and the success of the application, loan applications for individuals from the rural areas are about 44% smaller in magnitude than that of those in the urban areas.

Atieno (2001) pointed out that access to credit by borrowers can be explained in terms of credit rationing behavior of lending institutions. Atieno's study used mainly descriptive statistics to analyze the role of institutional lending policies of formal and informal credit institutions in determining access to and uses of credit facilities by small-scale entrepreneurs in rural Kenya. Reports from a randomly selected sample of 334 respondents indicated that 15% had not applied for credit because they had no need for credit therefore classified as not credit constrained. 36% were credit constrained but had not also applied for credit. From the research findings, the major reasons for not seeking credit were lack of information about credit and lack of required security. Only 49% revealed their demand by applying for credit. Amongst this number there were those whose loan applications were rationed and did not get the total amount they applied for. A comparison of the amount applied for and amount received showed that the amount applied for was significantly higher than the amount received from both formal and informal sources. This suggested credit rationing in the credit market. These findings can be assumed not to interpret lack of credit demand among the large number of respondents who indicated did not seek for credit, since only 15% implied they had no need for credit.

Swain (2002) hypothesized that some of the households with positive demand for credit are not rationed at all, whereas, others are either quantity rationed or loan size rationed. Using a theoretical model, Swain takes household as the unit of analysis and measures demand for credit variable as a dummy. The research findings show that in addition to household characteristics, interest rate, land ownership and the area of business operation are also significant determinants of demand for credit. According to Swain (2002) loan quantity rationing arises when the potential borrower is denied credit while loan size rationing occurs when the loan amount received by the borrower is smaller than the one they demanded. There might also exist households which do not demand any loan even though they would not be denied access by the lenders. Considering that inadequate finance is primary problem to most small-scale entrepreneurs, there is need to investigate performance of small-scale enterprises operated with no external funding. Credit rationing has been found to influence credit demand to small-scale investors. This was reported by Okurut (2004). The research focused on identifying factors that influence demand for money (credit) and also those that result in the poor being rationed by lenders in Uganda. Using logit regressions, analysis of credit demand was performed at individual levels with dataset containing social economic characteristics of households. The findings reviewed that it is possible most small-scale entrepreneurs who seek credit would be able to obtain it, but costs and conditions may be prohibitive for the high risk borrowers. Lenders determine how much credit is allocated based on the probability of default, often resulting in credit rationing.

According to Okurut 2004) the probability of default may be influenced by a number of factors such as expected returns of the business, the terms of the loan, market imperfections and borrower characteristics. Information asymmetry in credit markets arises because borrowers have better information about their potential risk of default than lenders. This asymmetry is compounded in informal credit markets by the fact that the credit histories of borrowers are not documented in the informal credit markets. The costs of acquiring this information are very high both in terms of time and financial resources. The other complication comes from its reliability. If lenders collect such information from the potential borrowers themselves, borrowers are likely to give an exaggerated view of their creditworthiness. This calls for an investigation to validate information from other sources. Okurut (2004) further states that if lenders try to collect such information from other community members, there is a tendency to withhold information if the one soliciting such information is a stranger. To compensate for the high cost of information gathering or reliability, lenders consider it logical to increase interest rates. However, should they do so; this may result in lowering demand for the credit. These findings are consistent with Aleem (1990) and Baydas (1994).

Mpuga (2004) analyzed demand for credit in rural Uganda. Using the household surveys data for 1992/93 and 1999/2000, a probity estimation model on demand for credit showed that individual characteristics have important implications on demand for credit. Age of an individual is positively related to the decision to apply for credit and the amount of credit applied for. Following the life-cycle hypothesis, the young and energetic individuals with ambitions to earn higher incomes are expected to be more active in terms of saving in order to accumulate wealth.
The young may tend to save or borrow more for investment while the old may be less inclined to save and borrow. The life-cycle hypothesis predicts that the old are likely to rely more on their past savings and accumulated wealth for consumption. Those at intermediate ages (18-40 years) have positive and significant demand, while the old are less inclined to demand for credit, particularly from the formal and the semiformal sources. Other characteristics such as level of education, value of household assets owned by household and other dwelling characteristics strongly influenced demand for credit. According to Mpuga (2004) there is no concrete evidence on impact of distance from urban centers (remoteness) on demand for credit, while availability of different sources of credit have limited impact on demand for credit. In any economy, majority of people engaged in the informal sector of small-scale enterprises are in the age-group of 18-40 years.

Celikoz and Arslan (2011) studied the effect of interest rate on money demand in Turkey. Their study showed that interest rate had a positive relationship with demand for money. However, the relationship was not statistically significant. Investment had a positive and significant relationship with demand for money in the long run. Other factors that were found to affect the demand of money negatively included inflation rate and exchange rate. Walsh (1984) noted that a change in the manner in which money supply is adjusted affects the returns associated with other assets. A change in monetary policy was found to cause significant variations in interest rates and income elasticity of demand for money. This change was attributed to the fact that changes in bond prices are mainly determined by the policy decisions of monetary authorities. Choudhry (1999) also used the co-integration approach to examine the relationship between interest rate and demand for money (M1). The study considered both short and long-term interest rates for the period 1954-1996. The study found that the interest rates associated with both long-term and short-term rate had a negative effect on real M1 demand for money.

2.3 Summary of the literature

The theoretical literature presented above revealed that the basic assumption of economic theories of individual/household consumer behavior is that they try to maximize their total utility within the circumstances in which they find themselves. The theories explain mechanisms in which scarce resource allocation decisions are made. The determinants of the quantity one is willing to purchase will typically be the price of the good, one's level of income, personal tastes, the price of substitute goods, and the complementary goods. Most of the empirical literature that exist on credit to businesses have focused on the supply aspect, that is: credit rationing to business, problems of accessing credit in both formal and informal sectors, and credit markets and their lending policies as determinants of credit(money) demand.

The studies on rural credit markets indicate that the market is characterized by high lending costs, borrowing policies that are not affordable by most small-scale businesses and high interest rates being charged to the credit borrowers. Credit rationing arises either through 'loan quantity rationing', that is when the potential borrower is denied the total credit that he borrows or through 'loan size rations', that is when the loan amount received by the borrower is smaller than the amount demanded.

From the literature review, several studies on demand for money in Macdough foods Uganda limited have been done by various researchers. Studies reviewed show that different writers have used different variables and different methods of analysis. As regards quantitative variables influencing demand for money, most reviewed studies have included financing costs (such as interest rates or bank lending rates), investment and demand of a product as the main factors.

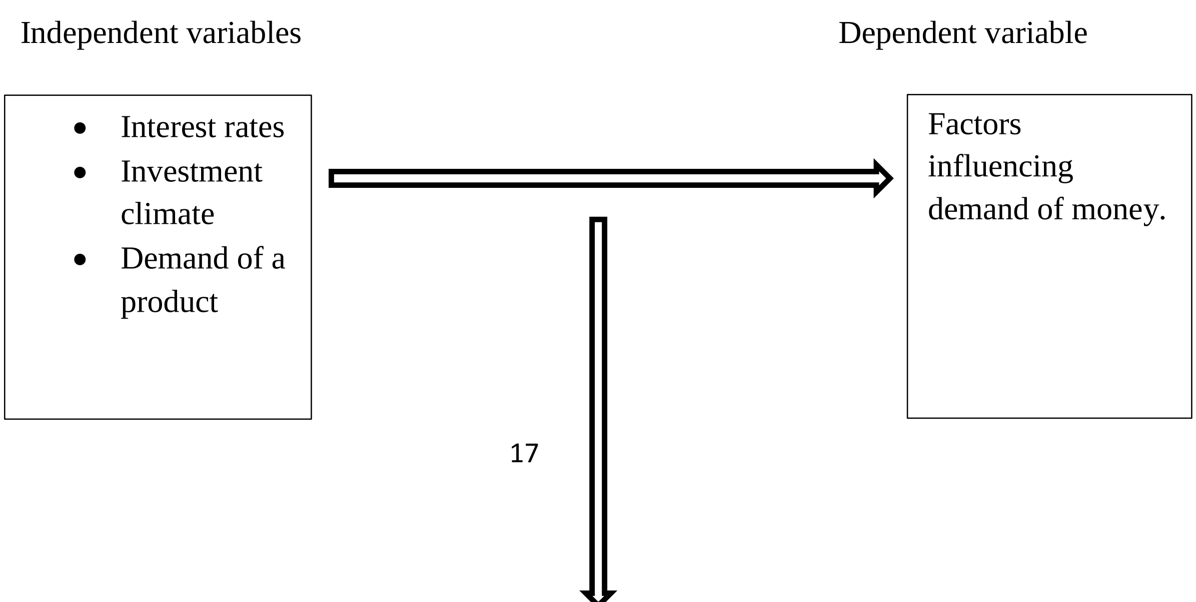
Some of the empirical studies found that higher economic growth facilitates the private sector to accommodate higher levels of 15 debts and therefore able to finance higher demand of a product for consumption and investments through credit.

On the other hand, interest rate is found to be both positively and negatively related to demand for credit or money by Walsh (1984) and Choudhry (1999). However, most of the reviewed studies that have used quantitative variables are outside Uganda. The challenge is that the results may not adequately address the Ugandan economic situation. It is therefore important to carry out a study based in Uganda in order to come up with the actual issues especially on the factors influencing the Demand for money in the business sector in Uganda.

In addition to investment and Interest rate, this study will include other variables such as; Public investment, Employment, Exchange rates, and Domestic debt. These variables are expected to have either positive or negative influence on the Demand for credit in the business sector in Uganda.

2.4 Conceptual frame work

Figure 2.1 conceptual frame work



Intermediary

- Loan conditions
- Availability of security
- Economic conditions

Source: research 2017

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter consists of the selected methodology that was used in the research to collect the necessary information. It identifies the research design, the target population, and the method that was used to choose the population and different methods that were employed to analyze the final data collected.

This chapter also provides in depth descriptive value of the study. It illustrates the statistical back bone of the entire study.

3.1 Research design

The research used qualitative and quantitative methods while discussing findings and drawing conclusions. This helped the researcher to get information on the intended objectives of the study.

3.2 Area and Study population

3.2.1 Area of study

Area of study was Macdough foods Uganda limited situated in Mutungo, Kitintale, Nakawa division, Kampala Uganda.

3.2.2 Study population

This research was carried out among the managers and the staff members especially those concern with finance at Macdough foods Uganda limited.

3.3 Data type and source

3.3.1 Data type

The researcher used both primary and secondary data because data collected from different sources like internet, text books and others supplemented the research and primary data helped the researcher to obtain first-hand information direct from the respondent.

3.3.2 Data source

The findings of the study greatly depended on the primary and secondary data.

3.3.2.1 Primary data

The researcher got data direct from the field using questionnaires, interview guide and others.

3.3.2.2 Secondary data

The researcher read related relevant literature to the subject of discussion before and during the study. The researcher collected data from different textbooks, reports, journals, newspapers, budget speeches and surfing from internet and others to come up with proper literature.

3.4 Sample size and technique

3.4.1 Sample size

The researcher sampled 105 officials at Macdough foods Uganda limited that is 1 manager, 50 suppliers and 54 sales/marketing officials. This number was selected because it's convenient enough to make analysis;

Table 3.1; size and composition of respondents

Staff	Sample size
Managers	1
Suppliers	50
Sales/marketing officials	54
Total	**105**

Source: primary source

3.4.2 Sample technique

The study used stratified random sampling for selecting some workers in Macdough foods Uganda limited to respond to the questionnaires. This was because everybody in the strata had an equal chance of being represented since the stratified sample technique involved organizing the population into units or groups called strata of common characteristics.

3.5 Data collection instrument

The researcher collected data through extensive reading of different textbooks, reports, journals, newspapers, budget speeches and surfing from internet and used questionnaires to come up with proper literature

3.5.1 Questionnaires

This data collection method involved interactions between the researcher and respondent. So under this the researcher interviewed the respondents since interviews give firsthand information and still on addition to that, the method helps out in cases of illiteracy.

A questionnaire containing open and closed questions was used for cases where the respondents could not read and write and the researcher interpreted the questionnaire for the respondents. More still on the above, all the questions were objective type and aimed at finding out the factors influencing the demand for money in Macdough foods Uganda limited.

3.6 Data validity and reliability

3.6.1 Data validity

To establish validity of the questions, pre-testing was done amongst selected categories of respondents. Their comments were incorporated in the final instrument to suit the data requirements of the study. The final amended research instruments were reviewed jointly by the researcher and supervisor.

3.6.2 Data reliability

The researcher repeated the findings to be sure of the results and to avoid contradicting results by letting other people to take vocabulary test on the findings two times their scores on two occasions were very similar for the data to be reliable.

3.7 Data processing, analysis and presentation

3.7.1 Data processing

The researcher examined the raw data collected to detect and edit errors and omissions and to correct where possible. This aided the researcher in summarizing and classifying the data in the manner that they answer the research questions.

3.7.2 Data analysis

Data from the field was carefully classified; edited basing on clarity, completeness accuracy and consistence to ensure reliability, data analysis was based on the objectives of the study and was done by use of statistical package for social sciences on collected data that drew meaningful interpretation and conclusion to give findings and suggestions.

3.7.3 Data presentation

The researcher summarized the analyzed data and displayed it on the tabular form, pie chart, bar chart among others for further analysis.

3.8 Anticipated limitations and delimitations.

High costs to cover all research equipment such as questionnaires, transport costs especially during data collection exercise and others and this was solved by selecting a small number of respondents to minimize the cost of questionnaires and transport cost was solved by selecting the case study that was near a researcher's residential place.

Limited time in which research was to be completed since the area that the research was to cover was large and there was a short time allocated to cover it and this was solved by sampling a few respondents to respond to the questionnaires.

Difficulty in data sourcing; the researcher found difficulty in getting right information from the selected population as some respondents would hide or give false information and this was solved by making consultations.

CHAPTER FOUR

DATA PRESENTATION, ANALYSISAND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the research findings, analysis and interpretation in accordance to the study objective. The data presented in this chapter is based on the case study carried out among Macdough foods Uganda limited staff. Out of 105 sampled respondents, 1 was a manager, 50 suppliers and 54 sales/marketing officials.

Descriptive statistics have been used to analyze data and frequencies and percentages have been summarized in tables.

4.1 Background information

The background information was in terms of gender, age group, education level, marital status, responsibility in the institution and number of years spent in the institution.

4.1.1 Gender of the respondents

Table 4.1; Showing respondents' gender

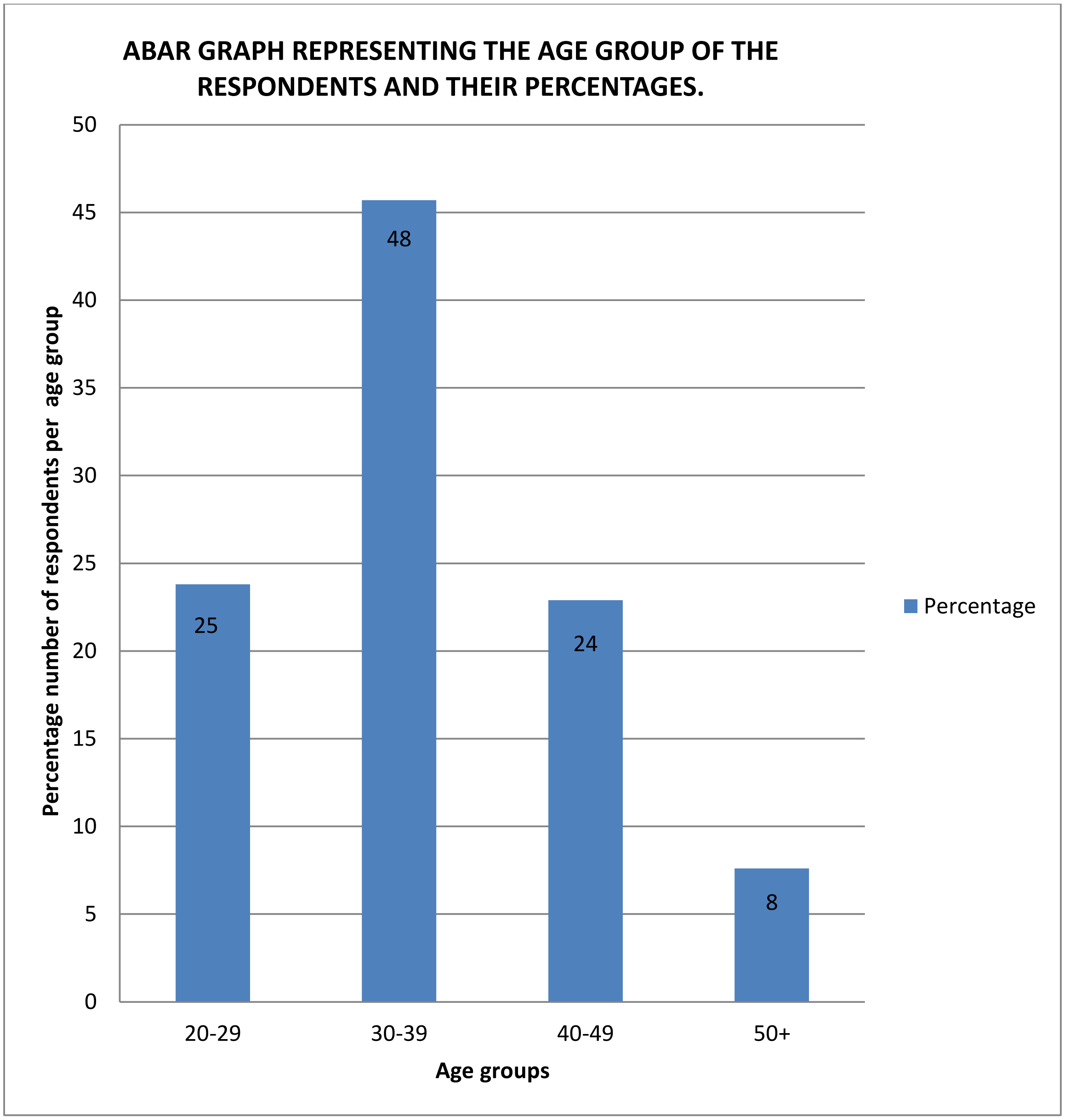
Sex	No of respondents	Percentage
Male	54	51%
Female	51	49%
Total	**105**	**100%**

Source: Primary Source

The characteristics of gender are shown in Table 4.1 above. According to this table, majority of the respondents reached during the study were men who made up 51% of the total sample population and only 49% were women. Therefore from the researcher's observation during the study, majority of the men are employed at Macdough foods Uganda limited than women this may be because the production process and activities in this company mentioned above are so heavy, tiring and requires a lot of hard labor that can be provided mostly by men.

4.1.2 Respondents' age group

Figure 4.1; Distribution of the respondents by age

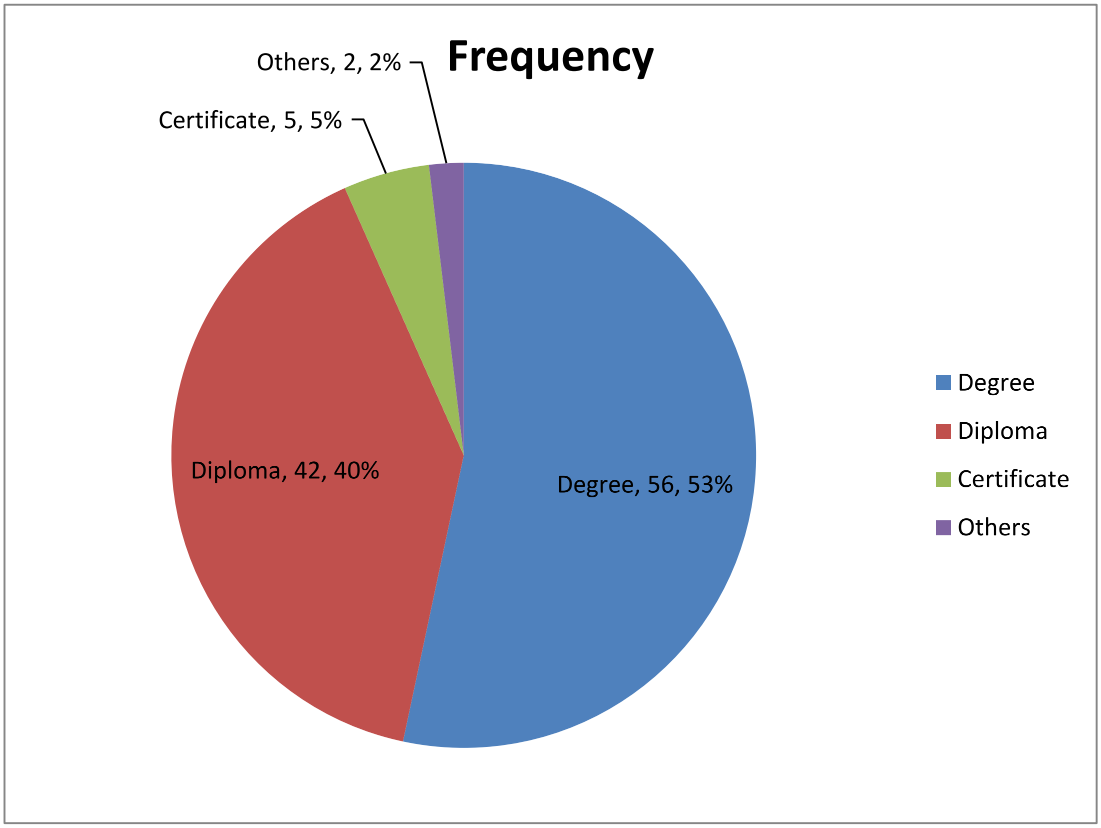


Source: primary data

From the figure 4.1 above, 7.6% of the respondents were 50+ years of age and 22.9% were aged between 40 and 49 years. 23.8% were between 20-29 years and 45.7% were aged between 30-39 years. Majority of the respondents were between 30-39 years implying that most of the respondents reached out during the study were young but below 39 years and above 20 years of age. This could probably be because the people between that age group are energetic, knowledgeable, and active and experienced about the study.

4.1.3 Educational level

Figure 4.2; Distribution of educational level of the respondents.



Source: primary data

Figure 4.2 above. Shows that the majority of the respondents reached during the study were degree holders who made up 53.3% of the total sample population, 40% were diploma holders, 4.8% were certificate holders and only 1.9% had other educational levels. This implies that the company recruits degree holders because they are competent, knowledgeable and qualified enough to deliver the company's set goals.

4.1.4 Marital status

Table 4.2; distribution of the marital status of the respondents

Marital status	Frequency	Percentage
Married	53	50.5

Single	48	45.7
Widow	3	2.9
Widower	1	0.9
Total	**105**	**100.0**

Source: Primary Source

Table 4.2 shows that 50.5% 0f the respondents were married, 45.7%were still single by the time of this study, 2.9%, 0.9% were widows and widower respectively. The majority of the respondents were married men and women which mean that a majority of the married people are willing to work for the betterment of their families.

4.1.5 Responsibility in the institution

Table 4.3; Showing the respondent's responsibility at the institution

Responsibility	Frequency	Percentage
Manager	1	1.0
Supplier	50	47.6
Sales/marketing official	54	51.4
Others	-	-
Total	**105**	**100.0**

Source: Primary Source

Table 4.3 shows that a majority of the respondents reached during the study were marketing officials (51.4%), and then suppliers were 47.6%, and finally only 1% manager. The reason as to why the company employed many marketing officials could have been to promote the sales and the products available in the company to the near and far areas of the district.

4.1.6 Period of working in the institution

Table 4.4; showing the respondent's period of working in the institution

Period	Frequency	Percentage

1-2	12	11.4
3-4	24	22.9
5-6	13	12.4
7-8	22	20.9
More than 8 years	34	32.4
Total	**105**	**100.0**

Source: Primary Source

Table 4.4 show that majority of the respondents that the researcher reached during the study (32.4%) had been at the company for 8years and above, 22.9% have been there for the period of 3-4years, 20.9% have been there for the period of 7-8years, 12.4% have been there for 5-6years and 11.4% of the respondents have been in the company between 1-2years. The majority of the respondents had been in the company for much longer and considerable time therefore they had acquired enough and appropriate experience to respond to the various questions concerning the company.

4.2 EFFECTS OF INTEREST RATES ON DEMAND FOR MONEY IN MACDOUGH FOODS UGANDA LIMITED

The first objective of the study was to establish the effects of the interest rates on the demand for money in Macdough foods Uganda limited. Below are the findings which were obtained from questionnaires with regard to this objective.

4.2.1 Whether the company needs money in form of loans.

Table 4.5; showing findings on whether the company needs money in form of loans

Response	**No. of respondents**	**Percentage**
Yes	73	69.5
No	32	30.5
Total	**105**	**100.0**

Source: primary source

From the table 4.5 above shows that 69.5% of the respondents said the company needed money in form of loans while 30.5% of the respondents said the company does not need money in form of loans from the findings above, a majority of the respondents say the company needed loans to help it achieve its goals and objectives. Though most of the respondents said that the company needed money, most of them were overwhelmed by the lending policies at the banks this findings were consisted with Schmidt and kropp (1987) who pointed out that in most cases the access problem especially among formal financial institutions is one created by the institutions mainly through their lending policies. Therefore these policies may include high interest rates charged by banks which were confirmed by Choudhry (1999) as having a negative relationship with demand of money.

4.2.2 Reason for the need of money

Table 4.6; showing findings of the reasons for the company's need of money.

Response	**No. of respondents**	**Percentage**
For raw materials	43	41
For production	11	19.5
For machinery	31	29.5
For paying worker	20	19
Other	-	-
Total	**105**	**100.0**

Source: primary data

According to table 4.6 above, 41% of the respondents said the company needed money for the purchase of raw materials, 19.5% of the respondents said it needed money for production purposes while 29.5% of the respondents said the company needed money for machinery and 19% of the respondents said the company needed money for paying their workers. However, many respondents reached out by the researcher said the company needed money for the purchase of raw materials since some raw materials like sugar were expensive and needed a lot of money for their purchase. This finding shows that the company needs large sums of money for the purchase of raw materials thus increasing their demand for money. This is in line with classical economists of Adam smith (1776), David Richardo and their followers focus on physical resources in defining its factors of production and discusses the distribution of cost and value among these factors.

4.2.3 Where to get loans from.

Table 4.7; findings of where the company got loans from.

Response	No. of respondents	Percentage
Commercial banks	40	45.5
Micro finance	48	54.5
Friends	-	-
Others	-	-
Total	**88**	**100.0**

Source: primary data

From table 4.7 above, 54.5% of the respondents reached during the study said the company got their loans from micro finance institutions reasons being the lending rates charged were lower than those of commercial banks, 45.5% of the respondents said the company got their loans from commercial banks and none of respondents said the company got loans from their friends.

However basing on the findings of the study, only 88 out of 105 of the respondents had an idea of where the company acquires loans from but the rest of the respondents had no idea.

4.2.4 Interest rates paid by Macdough foods Uganda limited

Table 4.8; showing finding of interest rate paid by the company.

Interest range	SA		A		NS		D		SD	
	F	%	F	%	F	%	F	%	F	%
19%-20%	-	-	37	35.2	67	63.8	-	-	1	1.0
21%-22%	36	34.3	18	17.1	34	32.4	7	6.7	10	9.5
23% and more	66	62.9	21	20	3	2.8	11	10.5	4	3.8

Source: primary data

Table 4.8 above shows that the company pays more than 23% interest rates whenever it gets a loan with 62.9% respondents strongly agreeing and 20.0% respondents agreeing. Only a few respondents noted that the interest rates can be between 21%-22%. This clearly shows that Macdough foods Uganda limited pays higher interest rates that often affect their loan repayment because according to Thordsen and Nathan (1999), they asserted that when interest rates are high, people are reluctant to borrow because repayments on loans cost more and when interest rates are low people are willing to borrow because they find it relatively easy to repay their debt.

4.2.5 Perceived effects of interests on demand for money

Table 4.9 Findings of perceived relation of interest rates on demand for money

Relation	Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
High interest rates have greatly affected your demand for money	43	40.9	47	44.8	8	7.6	7	6.7	-	-
Demand for credit at the bank is based on the prevailing interest rates	55	52.4	33	31.4	-	-	10	9.5	7	6.7
Your willingness to pay a loan is affected by lending rates	22	21.0	20	19.0	40	38.1	20	19.0	3	2.9
Financial costs of a loan have affected your business operation	24	22.9	58	55.2	38	17.1	-	-	5	4.8
You lost your collateral to the bank due failed loan repayment caused by high interest rates	-	-	-	-	71	67.6	17	16.2	17	16.2

Source: primary data

According to table 4.9 above reveals that the majority of the respondents that is 44.8% agreed that interest rates have greatly affected the companies demand for money, followed by 40.9% of the respondents strongly agreed to the statement. 52.4% of the respondents agreed that demand for credit at the bank is based on the prevailing interest rates, 31.5% strongly agreed to the statement. Therefore these findings suggest that, interest rates have greatly affected the company's demand for money in such a way that high interest rates have discouraged the company from getting loans since servicing it is very costly. This in line with Choudhry (1999) who used the co integration approach to examine the relationship between interest rates and demand for money the study therefore found a negative relationship between interest rates in both long and short run and real demand for money however the study disagrees with Celikoz and Arslan (2011) who studied the effect of interest rates on money demand in turkey and their study shown that interest rates had a positive and significant relationship with money demand.

The table results further shows that the company's willingness to repay a loan is affected by the lending rates as revealed by 21% and 19% respondents agreeing and strongly agreeing to the statement respectively. In addition 55.2% of the respondents strongly agreed that the financial costs of the loan have affected a company's business operation whereas 22.9% respondents agreed to the same statement which implies that financial costs have a significant effect on the company's business operation. This is in line with Gertler, M and P Karadi (2015) who argued that credit(financial) cost do respond more to a monetary policy tightening than what would be justified only by high policy rates and fair compensation for their altered riskiness.

However, 16.2% of the respondents disagreed and strongly disagreed to the statement that the company lost collateral to the bank due to failed loan repayment caused by high interest rates this is because the company always tries hard to clear its loans in the required period to avoid such inconveniences. This is in line Thordsen and Nathan (1999) who asserted people find it relatively easy to repay their debt when interest rates are low and vice versa.

4.3 RELATIONSHIP BETWEEN INVESTMENT CLIMATE AND DEMAND FOR MONEY AT MACDOUGH FOODS UGANDA LIMITED.

The second objective of this study was to establish the relationship between investment climate and money demand. The study found that investment is majorly affected by the country's social costs as presented below.

4.3.1 Reason for investment at Macdough foods Uganda limited

Table 4.10; showing the reasons for investment at Macdough foods Uganda limited.

Response	Frequency	Percentage
To gain capital	40	38.1
To increase on capital	37	35.2
To save for the future	11	10.5
To improve on your wellbeing	17	16.2
Others	-	-
Total	**105**	**100.0**

Source: primary source

From Table 4.10, results show that a majority of the respondents (38.1%) the reason of investment was to gain capital, followed by 35.2% of the respondents who said to increase on capital was the reason behind the investment at the company whereas 10.5%, 16.2% of the respondents said investment at the company was to save for the future, to improve on their wellbeing respectively. This implies that capital is a good indicator of availability of skilled work force in the company. This observation concurs with Hanson (1996), Ahmed (1979) and Schneider and Frey (1985) who found out that the level of human capital plays a significant role in attracting investment in addition to that Noorbakhsh el al (2001) also found out that human capital can also be proxy for investment attractiveness in the country. Thus the greater the company's willingness to invest the greater the demand for money.

4.3.2 Whether there were problems faced when investing at Macdough foods Uganda limited

Table 4.11; showing whether there were problems faced when investing at Macdough foods Uganda limited.

Response	No. of respondents	Percentage
Yes	92	87.6
No	13	12.4
Total	**105**	**100.0**

Source: primary source

From Table 4.11 above shows that 87.6% of the respondents said there were problems faced during the investment in the company while 12.4% said there were no problems faced when investing in the company. This means that there may be problems encountered when investing in this company thus economic growth and investment opportunity are reduced.

4.3.3 Problems faced when investing at Macdough foods Uganda limited

Table 4.12; showing findings of problems faced when investing at Macdough foods Uganda limited

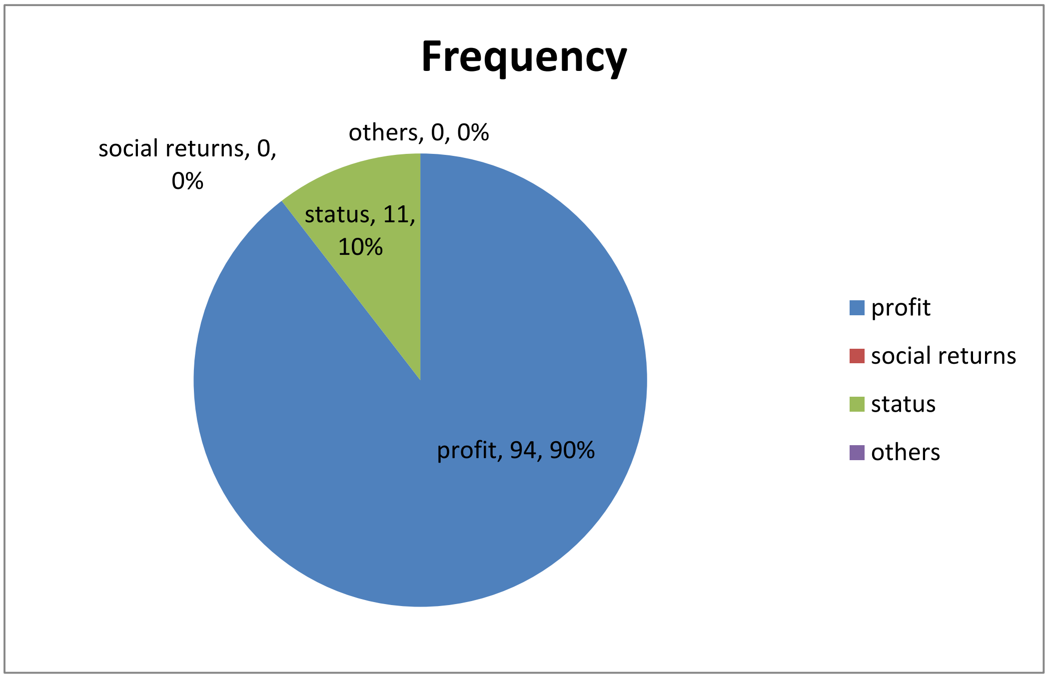
Response	No. of respondents	Percentage
Social problems	38	41.3
Shortage of capital	33	35.9
Lack of investment skills	10	10.9
Fiscal policy(taxation)	11	11.9
Others	-	-
Total	**92**	**100.0**

Source: primary data

From table 4.12 shows that 41.3% said the company faced social problems when investing, 35.9% said the company faced shortage of capital problems and 10.9%, 11.9% said they faced lack of investment skills and fiscal policy problems respectively. This implies uncertainty in economic environment detrimental to long term planning. This observation concurs with Barro (1991) and Corbo and Schmidt-Hebbel (1991) who stated that political instability creates uncertain economic environment detrimental to long term planning which reduces economic growth and investment opportunities.

4.3.4 What you would want to get in return of your investment

Figure 4.3; Showing findings of what the company would what to get in return of their investment



Source: primary data

Figure 4.3 above indicates that 90% of the respondents said that the company would want to get profits in return of investment and 10% said the company wants status in return. This implies that the main aim of the company is to maximize its profits, therefore in order for this company to attain its aim it has to check on its performance to expand its profits. This in line with Aryeetey (1996) who argued that due to market failure in credit market, the transaction cost involved in obtaining credit is considered greater than the utility, prompting businesses to switch profits between activities as a way of financing working capital.

4.3.5 How to rank the effect of credit on the company

Table 4.13; showing findings of how to rank credit at Macdough foods Uganda limited

Response	**No. of respondents**	**Percentage**
Good	45	42.8
No effect	-	-
Little	34	32.4
High	26	24.8
Total	**105**	**100.0**

Source: primary data

From 4.13 shows that 42.8% of the respondents said they can rank the company's credit as good, 32.4% said they ranked it as little, 24.8% ranked it as high. This implies that the credit the company borrows satisfies its financial needs this concurs with Saleemi (2000) who states that any credit borrowed will satisfy financial needs of a household or company, then credit has utility. Therefore utility is the power or capacity of a commodity to satisfy the desire of the user.

4.3.6 Whether production increased after using credit at Macdough foods Uganda limited

Table 4.14; Shows findings whether the company's production increased after using credit.

Response	**No. of respondents**	**Percentage**
Not so much	34	32.4
Yes	71	67.6
No	-	-
Total	**105**	**100.0**

Source: primary data

From table 4.14 shows that 67.6% of the respondents agreed that credit increased after using credit followed by 32.4% of the respondents who said that credit did not increase the company's production so much after using it. This means that credit may have played a vital role in the company's production since more than a half of the respondents agreed to it. This finding concur with Ibrahim et al (2007) who argued that both formal and informal credit markets play a vital role in credit expansion in rural areas of Ethiopia.

4.3.7 Whether the company benefited from crediting

Table 4.15; Shows findings of whether the company benefited from crediting.

Response	**No. of respondents**	**Percentage**
Not so much	31	43.7
Yes	40	56.3
No	-	-
Total	**71**	**100.0**

Source: primary data

Table 4.15 shows that 56.3% of the respondents agreed that the company benefited from crediting though 43.7% said it did not benefit so much on crediting. This implies that credit may have benefited the company and its staff and has helped in its growth and performance. These findings are in line with Ibrahim et al (2007) who argued that both formal and informal credit markets have played a vital role in credit expansion in rural areas of Ethiopia.

4.3.8 The extent to which the company benefited from crediting

Table 4.16; Showing the analysis of the extent to which the company has benefited from crediting?

Response	No. of respondents	Percentage
Greater extent	21	52.5
Smaller extent	19	47.5
Not at all	-	-
Total	**40**	**100.0**

Source: primary data

Table 4.16 shows that a majority of the respondents (52.5%) said the company benefited from crediting to a greater extent and 47.5% the company benefited from crediting to a smaller extent. This implies that the company's credit has helped to boost its investments.

4.3.9 Perceived relation to investment and demand for money

Table 4.17; showing the relation to investment and demand for money.

Relation	SA	A	NS	D	SD

	F	%	F	%	F	%	F	%	F	%
Investments greatly affected your demand for money	-	-	-	-	50	47.6	45	42.9	10	9.5
Your willingness to invest is affected by demand for money	20	19.0	38	36.2	22	21.0	25	23.8	-	-
Social costs of the country affected your investment and demand for money	40	38.1	50	47.6	-	-	14	13.3	1	1.0
Your investment is based on the amount of money you demand from the bank	25	23.8	47	44.8	-	-	30	28.6	3	2.8
Financial costs of a loan affected your investment	19	18.1	7	6.7	17	16.2	44	41.9	18	17.1
Your level of investment reduced due to high interest rates imposed on loans	39	37.1	39	37.1	-	-	8	7.7	19	18.1
Government policy influenced your investments level	-	-	-	-	-	-	55	52.4	50	47.6
Credit conditions affected your investments	52	49.5	31	29.5	8	7.7	14	13.3	-	-

Source: primary data

According to the results in table 4.17 above, the majority of the respondents (52.4%) disagreed that government policy influenced the company's investment and 47.6% strongly disagreed. This is because sometimes government policies like fiscal policy may tend to be unfair to the company owners in such a way that high taxes imposed on the company by the government tend to reduce the company's profits since a lot of money is used to clear the tax leaving the company with little or no profits to plough back or re-invest in the company.

The findings reveal that credit conditions affect the company's investment as indicated by 49.5% of the respondents strongly agreeing and 29.5% of the respondents agreeing to it. This means that there is limited access of credit that will facilitate its investment of the company thus leading to investment failure.

In addition, 42.9% of the respondents disagreed that investment greatly affected the company's demand for money and 9.5% strongly disagreed. This is because there are other factors that affect the company's demand for money rather than just investment other factors like interest rates (lending rates) that is to say high interest rates discourage the company from borrowing money and vice versa.

As to whether social costs of the country affected the company's investment and demand for money, 38.1% of the respondents agreed and 47.6% strongly agreed. The total percentage of the respondents who were in agreement was above average (85.7%) which means that the country social cost discourages investment and money demand in the country. The results further show that the company's investment reduced due to high interest imposed on loans as it was revealed by 74.2% of the respondents both agreeing and strongly agreeing. The findings further show that interest rates disrupt cash flows leading to low profits. This means that the company may not be able to effectively finance its activities due to smaller profits generated from the company.

The study findings further reveal that 44.8% of the respondents agreed and 23.8% strongly agreed that company's investment was based on the amount of the money the company demanded from the banks. This implies that the company's investment was planned within the amount of the money the company is able to get from the bank to avoid shortages and extravagancy.

In line with the above findings, Barro (1991) and Corbo and Schmidt-Hebbel (1991) stated that political instability creates uncertain economic environment detrimental to long term planning which reduces economic growth and investment.
According to Nagarajan, Meyer, Hushak (1995) investigating factors affecting demand for money using 1989-1990 data from the Philippines, the estimation found that loan demand was more elastic with interest rates than when only one transaction was taken per household.
The findings also consisted with Schmidt and kropp (1987) who pointed out in most cases the access problem especially among formal financial institutions is one created by the institutions mainly through their lending policies.

4.4 HOW THE DEMAND OF A PRODUCT HAS INFLUENCED DEMAND FOR MONEY IN MACDOUGH FOODS UGANDA LIMITED.

The third objective of this study was to establish how the demand of a product influenced the demand for money. The study found that the of a product increased the demand of money as presented below;

4.4.1 Whether the product(s) have ever been demanded at Macdough foods Uganda limited.

Table 4.18; Shows findings of whether the product has ever been demanded

Response	No. of respondents	Percentage
Yes	105	100

No	-	-
Total	**105**	**100**

Source: primary source

Table 4.18 shows that 100% of the respondents have ever demanded for the products in the company. This implies that the respondents have got enough income that has enabled them to demand for the products produced in this company. This observation is consistent with Livingston and Ord (1994) who pointed out that the size of household's incomes affects the amount it buys of a commodity: The more products a respondent is willing to consume in the company, the more money they demand to enable them purchase the particular product(s) of their choice.

4.4.2 Ranking products that ever been demanded at Macdough foods Uganda limited

Table 4.19; Shows findings of the rank of products that have ever been demanded

Source: Primary data

Products	**SA**		**A**		**NS**		**D**		**SD**	
Tomato sauce	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
	55	52.4	50	47.6	-	-	-	-	-	-
Chili sauce	40	38.1	32	30.5	-	-	18	17.1	15	14.3
Mango juice	45	42.9	45	42.9	5	4.7	10	9.5	-	-
Apple juice	24	22.8	9	8.6	-	-	34	32.4	38	36.2
Tomato paste	30	28.6	44	41.9	3	2.8	28	26.7	-	-

According to the results on table 4.19 above, a majority of the respondents (52.4%) strongly agreed that they have ever demanded for tomato sauce and 47.6%agreed. This implies that tomato sauce may be the cheapest product produced from the company since all the respondents have ever demanded it.

The study revealed that a majority of the respondents said they have ever demanded for mango juice from the company that 85.8% of both the respondents who agreed and strongly agreed to have demanded mango juice. This means that mango juice is cheaper than its substitute product that is apple juice that is why the study reveals that there are more respondents who have ever demanded for mango juice compared to the respondents who have ever demanded for apple juice which is a substitute of mango juice.

As to whether the respondents have ever demanded for apple juice 22.8% of the respondents strongly agreed and 8.6% agreed, the total percentage of the respondents who were in agreement was below average (50%) which implies that substitute of apple juice at the company may have been cheaper thus leading to low number of respondents who have ever demanded for apple juice.

The new results further show that 38.1% of the respondents strongly agreed to have ever demanded for the chili sauce and 30.1% agreed to have demanded for the same product. This implies that some respondents may have preference of chili sauce compared to other products produced in the company due to the taste and preference they have for it.

In addition, the results also show that 28.6% of the respondents strongly agreed to have ever demanded for tomato sauce paste and 41.9% of the respondents agreed to the same. This implies that the respondents may be having enough income which has enabled them to demand for tomato sauce paste from the company.

The observations above concur with Livingstone and Ord (1994) argued that the amount an individual wishes to buy of a commodity depends on several factors such as his/her taste or preference, price of a commodity, availability of other goods and lastly size of household income.

4.4.3 Ranking time taken to make a buying decision in the company

Table 4.20; Analysis of time taken to make a buying decision

Response	**No. of respondents**	**Percentage**
A day	46	43.8
A week	43	40.9
A month	11	10.5
More than a month	5	4.8
Total	**105**	**100.0**

Source: primary data

Table 4.20 above indicates that 43.8% of the respondents agreed that they take a day to make a buying decision, 40.9% of the respondents said they take a week to make a buying decision, 10.9% said they take a month and 4.8% said they take more than a month to make a buying decision in the company. This implies that may be some time the respondents don’t have enough income to spend for buying a particular commodity and they have to wait until they get enough money. Thus delaying their buying decision.

4.4.4 Ranking factors considered before making a buying decision at Macdough foods Uganda limited.

Table 4.21; Shows the rank of factors considered before making a buying decision

Factors	SA		A		NS		D		SD	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
The price of a good	48	45.7	40	38.1	-	-	17	16.2	-	-
Quality of a good	32	30.5	24	22.9	8	7.6	27	25.7	14	13.3
Taste and preference	55	52.4	50	47.6	-	-	-	-	-	-
Level of income	41	39.0	38	36.2	-	-	26	24.8	-	-
Price of a substitute	43	41.0	37	35.2	5	4.8	4	3.8	16	15.2
Expected rise in future price of commodity	-	-	10	9.5	29	27.6	45	42.9	21	20.0
Level of advertisement of a commodity	-	-	-	-	-	-	55	52.4	50	47.6
Government policy	11	10.5	14	13.3	21	20.0	31	29.5	28	26.7

Source: Primary data.

The findings in table 4.21 above reveal that the majority of the respondents (52.4%) strongly agreed that they consider taste and preference before making a buying decision of a product, followed by 47.6% of the respondents who agreed. 30.5% of the respondents who strongly agreed that they consider the quality of a good before making a buying decision and followed by 22.9% of the respondents who agreed. These findings suggest that taste and preference has bigger consideration before making a buying decision by the respondents at Macdough foods Uganda Limited than the quality of a good.

The results on the table further reveal that the respondents also consider the price of a good before making the buying decision as it is revealed by 45.7% of the respondents strongly agreeing and 38.1%of the respondents agreeing. In addition 41% of the respondents strongly agree that they consider the price of a substitute good before making a buying decision and 35.2% of the respondents agree. This implies that price and availability of the substitute good has got a very significant effect on the buying decision of the respondents.

According to table results above, 39.0% of the respondents strongly agreed that they consider the level of income in their pockets before they can come up with a buying decision followed by 36.2% of the respondents who agree to it. This means that a respondent is unable to make a buying decision when they don't have enough income in their pocket. The table findings further indicate that 10.5% of the respondents strongly agreed that they consider government policy before making a buying decision and 13.3% of the respondents agreeing to it. Which clearly shows that government policy of taxing the products at the company affected the buying decision of the respondents since when the product is taxed its price goes up therefore less of that product is demanded due its high price.

The above findings are in Livingston and Ord (1994) who argued that the amount an individual wishes to buy of a commodity depends on several factors, that is; taste and preference, price of a commodity, availability of other goods (substitute good) and finally Livingston and Ord (1994) pointed out that the size of a household's income affects the amount of a commodity.

4.4.5 Ranking the strength of the statement in relation to demand of a product and demand for money

Table 4.22; Shows the findings of the strength of the statement in relation of demand of a product and demand for money.

Relation	SA		A		DS		D		SD	
	F	%	F	%	F	%	F	%	F	%
	2	20	42	40	11	10.5	15	14.3	16	15.2

Increase in the demand for a product increases your demand for money										
Your demand of a product is based on the amount of money you demand from the bank	9	8.6	16	15.2	24	22.9	37	35.2	19	18.1
Financial costs of the loan affected your demand for a product	23	21.9	28	26.7	44	41.9	2	1.9	8	7.6
Your demand of a product reduced due to high interest rates imposed on the loans	-	-	14	13.3	26	24.8	60	57.1	5	4.8
Your level of income greatly affected your demand of a product and money	41	39.0	51	48.6	3	2.9	10	9.5	-	-
The price of a product affected your demand for money	55	52.4	50	47.6	-	-	-	-	-	-
Your taste and preference influenced your demand	50	47.6	50	47.6	-	-	3	2.9	2	1.9
Social costs affected your demand of a product	11	10.5	8	7.6	14	13.3	51	48.6	21	20

Source: primary data

Table 4.22 shows that social costs have got a little impact on the demand of a product at Macdough foods Uganda limited since few respondents strongly agreed (10.5%) and agreed(7.6%) that it. The results further indicate that the majority of the respondents (52.4%) strongly agreed that the price of a product affected their demand for money and 47.6% of the respondents agreed to it. This implies that when the price of the products is higher, the respondents tend to demand for more money in order to be able to purchase the products.

As to whether your taste and preference influenced your demand of a product, a majority of the respondents 47.6% strongly agreed as 47.6% of the respondents who agreed to it since the majority of the respondents were in agreements, this suggests that more of a product is highly demanded if a lot of respondents have got a favorably taste and preference for it and vice versa.

In addition to the above, 48.6% of the respondents agreed that the level of income greatly affected their demand of a product and money and 39.0% of the respondents who strongly agreed that the level of income greatly affected their demand for money agreed. This implies that the level of income affects the amount of the product and money a respondents demands. That is if the income level increases, they will be able to buy more of a product and more of the money is demanded to purchase a product and vice versa. 40% of the respondents agreed that increase in the demand for a product increases their demand for money followed by 20% of the respondents who agreed. This implies that in order to purchase a particular product(s) one should be having enough money in case one doesn’t have enough money they are therefore forced to borrow or demand from another source thus increasing their demand of money and vice versa.

The result further reveals that financial costs of the loan affect the demand for products as indicated by 26.7% of the respondents agreeing to it and 21.9% of the respondents strongly agreeing. This implies that financial costs of loan reduce the demand of a product because the respondents will choose to borrow or use less of the credit due to its high cost affecting the demand of a product. These findings concur with Gertler, M and P Karadi (2015) who argued that credit (financial) costs do respond more to monetary policy tightening than what would be justified only by high policy rates and fair compensation for their altered riskiness.

Finally the demand of the product is based on the amount of money demanded from the bank as revealed by 15.2% agreeing to it and 8.6% strongly agreeing this implies that when more money is demanded from the banks increases ones income levels and thus enabling one to demand for more products.

The above findings are consistent with David (2001) who argues that when costs of credit goes up, the marginal utility per shillings raised from that credit Mukras (1993) in his model demand analysis stresses that quantity demanded of a commodity is a factor of income price of the commodity and price of related commodity substitute according to walras (1834-1910), price of a commodity influences its demand. This theory was however criticized by later upcoming economists as a shallow, however used it as a base to develop the law of demand, stated by many economists as inverse relationship exists between the price of a commodity and quantity demanded of the product.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents the summery of findings, conclusions, recommendations and areas of further study.

The objectives of this study is to examine the effects of interest rates on demand for money to investigate the relationship between investment climate and demand for money and to find out how the demand of the product influences the demand for money at Macdough Uganda limited

5.1 Summary of findings

5.1.1 The effects of interest rates on demand for money

The findings in regards to the effects of interest rates on demand for money at Macdough foods Uganda limited**.**

The company gets its loans from commercial banks, microfinance, friends and others. The majority of the respondents (82.9%) agreed that the company pays high interest rates of 23% and more. The largest percentage of the respondents (83.7%) believed that high interest rates greatly affected the company's demand for credit and the company's money demand is based on prevailing interest rates at the bank as indicated by (83.9%) of the respondents agreeing to it and willingness to pay the loan is affected by the lending rates as revealed by 40% of the respondents agreeing it to the statement.
In addition it was also evident that it is very costly to service the company's loans due to high interest rates attached to it. This finding is supported by t
Thordsen and Nathan (1999), who asserted that when interest rates are low, people are willing to borrow because they find it relatively easy to repay their debt but when interest rates are high, people, are reluctant to borrow because repayments on loans cost more.
Furthermore, the findings showed that high interest rates discourages the company from getting a loan or demand the money from the bank.

5.1.2 The relationship between investment climate and demand for money

The study found out that there are several reasons of investment. According to the findings, it showed that the company's investment was for the reason of gaining capital. The study findings showed that social problems were one of the problems that mainly affected the company's investment, in addition, the findings that a good percentage (90%) of the respondents agreed that they would want to get profits in return of their investments indicating that the main aim of the investment was to maximize profits.
The study further showed that the level of investment reduced due to the high interest rates imposed on loans as indicated by 74.2% of the respondents who agreed to it. Moreover the study found out that the company's investment was based on the amount of money they demanded from the bank. The findings also showed that the company's willingness to invest was affected by for money.

Finally the results showed that social cost of the country affected the company's investment and demand for money as indicted by 85.7% respondents agreeing and strongly agreeing to it.

The conclusions were in line with Barro (1991) and Corbo and Schmidt-Hebbel (1991) stated that political instability creates uncertain economic environment detrimental to long term planning which reduces economic growth and investment.

5.1.3 To find out hoe demand of the product influences the demand for money

The third objective of this study was to find out how demand of the product influences the demand for money at Macdough foods Uganda limited. According to the study findings, all the respondents (100%) have ever demanded for products from the company. The results show that a majority of the respondents (52.4%) strongly agreed that they have ever demanded for tomato sauce and 47.6% agreeing it.
The findings further showed that a majority of the respondents (43.8%) take a day to make a buying decision. In addition the study also found out that a majority of the respondents consider taste and preference before making a buying decision. Finally, the study showed that the price of the products affected the company's demand for money. This findings concurred with Livingston and Ord (1994) who argued that the amount an individual wishes to buy of a commodity depends on several factors, that is; taste and preference, price of a commodity, availability of other goods (substitute good) and finally Livingston and Ord (1994) pointed out that the size of a household's income affects the amount of a commodity.

5.2 Conclusion

The study found out that high interest rates have greatly affected the company's demand for money. It has therefore been established that these interests have a negative effect on the company's demand for money; this is because high interest rates have been noted to increase the costs of servicing loans affecting the demand for money from banks

The study further concluded that investment climate has a positive relationship with demand for money. It has been established that the company's investment is based on the amount of money they demand from the bank.
Moreover increase in more demand has increased the company's level of investment

According to the third objective, the study has found out demand of the product has increased the amount of money demanded from the banks (loans). In addition, loans increase the company's level of income that can be used to purchase product(s).Therefore in conclusion; the demand of the product has positively influence the demand for money.

5.3 Recommendations

The recommendations presented by the researcher in this section have taken into regard the findings and interpretations of this study. Consideration has been given to factors influencing the demand for money at Macdough foods Uganda limited.

The researcher therefore recommends that Macdough foods Uganda limited managers should endeavor to attend to business skills and loan servicing short training workshops if they are to meet their objectives. Furthermore, the researcher recommends that financial institutions should revise their terms of lending and therefore reduce on the interest rates so as to enable business owners to demand for more money and also enable them have room for making profits to enable them service their loans as this will lead to the growth and continuity of their company.

In addition to the above, the business owners should formulate associations and organize seminars and/or workshops for business skill acquisition and loan investment and servicing. Further, Macdough foods Uganda limited and other business institutions should put a mechanism that will support their business programs and manage their finances especially loans that they borrow from financial institutions to ensure growth and continuity of their businesses. This will also help them take up opportunity cost while dealing in business and avoid diversification of funds to non-profitable business ventures like for home consumption and other domestic activities (social problem solving).

From the study findings recommendations, it is proposed that all financial institutions should revise their interest rates to such amount affordable by people and companies at different economic levels. Further suggestions were that things like assessment fees should be abolished completely or reduced so as to enable businesses intending to access or demand for credit facility do so at a reasonable and affordable cost.

In addition to the above, government should reduce taxes charged on businesses, saying that however much credits are extended to business enterprises for development and /or boosting of the sector, high taxes cannot allow reasonable profit generation.

Finally the researcher's advice is that entrepreneurs should commit all their efforts and resources to profitable business ventures other than diverting loans for consumption purposes and solving domestic problems if their businesses are to perform and grow and should endeavor to attend business skills workshops and/or short training programs in regard to business management.

5.5 Area for further study

The study has revealed that for a better understanding of factors influencing the demand for money in the business sector. The suggested areas are:

- The effects of loans on the performance of small businesses in Uganda.
- The factors affecting the development of micro-enterprises in rural and peri-urban business centers.
- Entrepreneurship skills development and business/enterprise development in Uganda today.

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Appendix one

Dear respondent,

My name is Alado Veronica a student at Kyambogo University finalizing my degree of Bachelor of Arts in economics department of economics and statistics. I am carrying out a research on factors influencing the demand for money in the business sector. A case study of Macdough foods Uganda limited as a requirement for the completion of the degree.

You have been requested to respond to the various questionnaires attached. Your response will be treated with utmost confidentiality and for academic purposes only.

Your time is highly appreciated.

Thank you.

SECTION A: BACKGROUND INFORMATION

1) Gender

a) Male ☐ b) Female ☐

2) Age Group

a) 20-29 ☐ c) 40-49 ☐

b) 30-39 ☐ d)50 and above ☐

3) Educational Level

a) Degree ☐ c) Diploma ☐

b) Certificate ☐ d) Others ☐

4) Marital Status

a) Married ☐ c) Widow ☐

b) Single ☐ d) Widower ☐

5) Responsibility in the Institution

a) Manager ☐ c) Sales/marketing ☐

b) Suppliers ☐ d) Others ☐

6) For how long have you been in the institution?

a) 1-2years ☐ c) 5-6years ☐ e) more than 8years ☐

b) 3-4years ☐ d) 7-8years ☐

SECTION B: EFFECTS OF INTEREST RATES ON DEMAND OF MONEY IN MACDOUGH FOODS UGANDA LIMITED

7) Do you need money in form of loans?

a) Yes ☐ b) No ☐

8) Why do you need money?

a) For raw materials ☐ c) For machinery ☐ e) Others ☐

b) For production ☐ d) For paying workers ☐

9) Where do you get your loans from?

a) Commercial banks ☐ c) Friends ☐

b) Micro finance ☐ d) Others ☐

10) Using the scale of rank, rank how much interest rates you pay whenever your get a loan.

SA- Strongly Agree

A- Agree

NS- Not Sure

D- Disagree

SD- Strongly Disagree

No.	**Interest rates range**	**SA**	**A**	**NS**	**D**	**SD**
a)	19%-20%					
b)	21%-22%					
c)	23% and more					

For the following questions below use the scale to rank the rank the strength of the statement in relation to interest rates and demand.

SA – Strongly Agree

A – Agree

NS – Not Sure

D – Disagree

SD – Strongly Disagree

No	Question	SA	A	NS	D	SD
a)	High interest rates have greatly affected your demand for money.					
b)	Demand for credit at the bank is based on the prevailing interest rates.					
c)	Your willingness to repay loans is affected by the lending rates.					
d)	Financial costs of the loan have affected your business operations.					
e)	You lost your collaterals to the bank due to failed loan repayment caused by high interest rates.					

SECTION C: RELATIONSHIP BETWEEN INVESTMENT CLIMATE AND DEMAND FOR MONEY MACDOUGH FOODS UGANDA LIMITED

11) Why did you choose to invest in this company

a) To gain capital ☐ c) To save for the future ☐ e) Others ☐

b) To increase on capital ☐) To improve on your wellbeing ☐

12) Did you face any problems when investing in this company?

a) Yes ☐ b) No ☐

If yes what are those problems;

a) Social problems ☐ c) lack of investment skills ☐ e) others ☐

b) Shortage of capital ☐ d) fiscal policy(taxation) ☐

13) What would you want to get in return of your investment?

a) Profits ☐ c) Status ☐

b) Social returns ☐ d) others ☐

14) How do you rank the effect of credit on your company?

a) Good ☐ c) Little ☐

b) No effect ☐ d) High ☐

15) Did a company production increase after using credit?

a) Not so much ☐ c) No ☐

b) Yes ☐

16) If yes, have you benefited from crediting?

a) Not so much ☐ c) No ☐

b) Yes ☐

17) If yes, to what extent have you benefited

a) Greater extent ☐ c) not at all ☐

b) Smaller extent ☐

18) Using the scale to rank the strength of the statement in relation to investment and demand for money;

SA – Strongly Agree

A – Agree

NS – Not Sure

D – Disagree

SD – Strongly Disagree

No	Question	SA	A	NS	D	SD
a)	Investments greatly affected your demand for money					
b)	Your willingness to invest is affected by demand for money					
c)	Social costs of the country affected your investment and demand for money					
d)	Your investment is based on the amount of money you demand from the bank					
e)	Financial costs of the loan affected your investment					
f)	You r level of investment reduced due to high interest rates imposed on loans					
g)	Government policy influenced your investments levels					
h)	Credit conditions affected your investments					

SECTION D: HOW THE DEMAND OF A PRODUCT INFLUENCES DEMAND FOR MONEY IN MACDOUGH FOODS UGANDA LIMITED

19) Do you ever demand for a product(s)?

a) Yes ☐ b) No ☐

20) If yes, using the scale to rank, which products have you ever demanded?

SA – Strongly Agree

A – Agree

NS – Not Sure

D – Disagree

SD – Strongly Disagree

No	Question	SA	A	NS	D	SD
a)	Tomato sauce					
b)	Chili sauce					
c)	Mango juice					
d)	Apple juice					
e)	Tomato paste					

21) How long does it take you to make a buying decision?

a) A day ☐ c) A week ☐ e) More than a month ☐

b) A week ☐ d) A month ☐

22) Using the scale of rank, what factors do you consider before making a buying decision?

SA – Strongly Agree

A – Agree

NS – Not Sure

D – Disagree

SD – Strongly Disagree

No	Question	SA	A	NS	D	SD
a)	The price of a good					
b)	The quality of a good					
c)	Taste and preference					
d)	Level of income					
e)	Price of a substitute					
f)	Expected rise in future price of a commodity					
g)	Level of advertisement of a commodity					
h)	Government policy					

23) Using the scale to rank the strength of the statement in relation to demand of a product and demand for money

SA – Strongly Agree

A – Agree

NS – Not Sure

SD – Strongly Disagree

D – Disagree

No	**Question**	**SA**	**A**	**NS**	**D**	**SD**
a)	Increase in the demand for a product increases your demand for money					
b)	Your demand of a product is based on the amount of money you demand from the bank					
c)	Financial costs of the loan affected your demand for a product					

d)	Your demand of a product reduced due to the high interest rates imposed on the loans					
e)	Your level of income greatly affected your demand of a product and money					
f)	The price of a product affected your demand for money					
g)	Your taste and preference influenced your demand for a product					
h)	Social costs affected your demand of a product					