THE EFFECT OF BUSINESS INCENTIVES ON FOREIGN DIRECT INVESTMENTS IN UGANDA; A CASE OF SELECTED INVESTMENT COMPANIES IN KAMPALA CAPITAL CITY AUTHORITY

BY

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11/MBA/05/076

DISSERTATION SUBMITTED TO THE SCHOOL OF MANAGEMENT SCIENCES IN PARTIAL FULFILMENT FOR THE AWARD OF MASTERS DEGREE IN BUSINESS ADMINISTRATION OF UGANDA MANAGEMENT INSTITUTE

JANUARY, 2018

Declaration

I, Elinorah Tumushime, Reg. No 11/MBA/05/076 declare that this research work entitled: "The role played by business incentives in attracting foreign investments in Uganda" is my original work and has never been submitted to any University, institution or College for any academic award.

Signed …… Date …….

Approval

This dissertation titled “The effect of business incentives in attracting foreign investments in Uganda” has been prepared and submitted for examination with the approval of:

Signature……	Signature…….
Prof. Gerald Kagambirwe Karyeija	Mr. Ben Mugerwa
Supervisor	**Supervisor**
Date ……	Date ……

Dedication

This piece of work is dedicated to my dear family. Thank you for your support, and may this success inspire each of us. I pray that let God the almighty reward each of you abundantly

Acknowledgements

I am greatly indebted to my supervisors Associate Professor. Gerald Kagambirwe Karyeija and Mr. Ben Mugerwa Vincent for their guidance and professional support that led to the successful completion of this report. I extent profound appreciation to the entire staff of Uganda management Institute for their support to me during my course there. Each of you contributed towards my success in one way or another, which I really thank you for. In a similar way I am grateful to my dear course mates. Indeed you were a good cohort and provided me with academic advice and moral support that enabled me to go through the insurmountable aspects of studies at UMI.

Once more, I am so grateful to my dear parents and family. It is your efforts that have made me to reach this far. I also wish to acknowledge all respondents who participated in the study and provided the required information, for without their contribution the study would not be a reality. In a similar way I do acknowledge all the sources to which this report has referred to. Finally, in all I thank God who has brought me this far.

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LIST OF ACRONYMS

BITS Bilateral Investment treaties

EAC East African Community

FDI Foreign Direct Investment

GDP Gross Domestic Product

IMF International Monetory Fund

MNC Multi National Corporations

MNE Multinational Enterprise

TNC Transnational Corporations

UMI Uganda Management Institute

UNCTAD United Nations Conference on Trade and Development

USD United States Dollar

Abstract

This work presents study findings on the effect of business incentives on Foreign Direct Investment in Uganda. The study was based on the following objectives; to examine the effect of fiscal incentives on attraction of foreign investment in Uganda, to assess the effect of infrastructure on attraction of foreign investment in Uganda and to establish the effect of regulatory incentives on attraction of foreign direct investment in Uganda. In total, 70 respondents participated in the study out of a sample size of 85 members from different investment companies. The study used both qualitative and quantitative techniques to collect and analyze data. Study findings revealed that fiscal incentives have the strongest effect on foreign direct investment (*r*= 0.822**; p-value=0.000), followed by infrastructural incentives (*r*=0.658**; p-value=0.000), and regulatory incentives(r=0.628**; p-value=0.000). The study concluded that fiscal incentives, infrastructural incentives and regulatory framework affect foreign direct investment. The study recommends that Uganda Investment Authority reduces the corporate tax rate to attract more investors to Uganda. In addition, recommends that the government should provide more support on worker training. The study further recommends that Uganda Investment Authority should promote transparency while providing investment incentives and ensure impartial system of courts and law enforcement to provide favorable investment climate for investors.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Foreign Direct Investment (FDI) refers to investment which a company makes in a foreign country (Freenstra, 2003). Njeru (2013) contends that FDI is a cross boarder investment hereby a resident in one country obtains a long-term interest in a business in a different country. FDI is a necessary element of an effective and open multinational economic system as well as a key means to development. The majority economies aim at attracting Foreign Direct Investment (FDI) due to the known benefits as an economic development tool.

Ever since the United Nations Organisation Development decade of 1960's, the function of Foreign Direct Investment in driving development and economic growth among developing economies has been a contested issue. Many economies including Uganda have enacted investment reforms so as to make an environment which is more business friendly in order enhance foreign and local investment. According to Obwona (1998), FDI is vital for economic growth in Uganda. Given this importance, one of Uganda's biggest challenges has been how to attract FDI sustain it and ensure that it contributes to economic growth. This path has been very challenging for Uganda, as the country had registered mixed performances (Ndawula, 2014).

In order to promote FDI in Uganda, various strategies have been undertaken. These include but not limited to; establishment of various institutions to enhance both local and foreign investment and enhancing of prudent macroeconomic policies. Some of these institutions are Uganda Investment Authority and the Private Sector Foundation Uganda. However, even though these

all these reforms have been implemented, Uganda has failed to attain substantial amounts from FDI as well as fully reap from the related advantages of FDI. For example, according to Investment Survey Report (2012) in 2011, the number of investment projects was 2,861,184,805 of which 53.5% were owned by foreign investors, 42.2 percent owned by local investors and only 4.3 percent were joint ventures. This indicated that the number of foreign investors was still very low, notwithstanding the fact that the figure was slightly higher than that of domestic investors by 11.3 percent (World investment report, 2012).

Even though the domestic investors constituted only 42.2 percent, their contribution to the economy cannot be disregarded. This is base on the rationale that more effort has been bent toward attracting foreign investors as compared to domestic investors. For example, foreign investors continue to receive more tax incentives such as tax exemption, tax holidays and some have been accorded free land where to establish their projects (World investment report, 2012). However, despite all these incentives, Uganda has not registered a huge number of foreign investors. What remains unknown therefore is the effect business incentives have on Foreign Direct Investment in Uganda.

This study examined the effect of business incentives in attracting foreign direct investment in Uganda. Business incentives were perceived as the independent variable while foreign direct investment was the dependent variable. Chapter one presents the study background, statement of the problem, objectives of the study, scope, significance of the study, operational definitions, research questions, hypotheses, conceptual framework and justification of the study.

1.2 Background to the study

In 2012, Taxi Justice Network Africa and Action Aid prepared a report which contained estimates of the revenue which countries in East Africa lost through provision of tax incentives. The incentives usually benefit foreign corporations, as they involve governments eliminating or reducing takes like customers or VAT payment, income taxes and are ostensibly offered to promote investment, including foreign direct investment. The 2012 report estimated that revenue losses from providing such incentives were massive – up to US$2.8 billion a year for just four East African countries: Tanzania, Kenya, Rwanda and Uganda. Especially large estimated annual losses were documented in Tanzania (US$1.2 billion) and Kenya (US$1.1 billion) but significant revenues were also being squandered in Uganda (US$272 million) and Rwanda (US$234 million). These lost revenues could be much better used to fund critical health, education and other public services.

1.2.1 Historical Background

Foreign direct investment dates as far back as the early 1900s when there was increase in investment from expatriates or increased finance in the home country by individual entrepreneurs or corporations who come ahead to buy a controlling equity investment in a foreign business enterprise (Reuber, 2013). By 1914 foreign direct investment had turned strongly established as an international economic involvement vehicle. During the first decade of the twentieth century foreign direct investment was a channel for transferring resources between several countries and as a mechanism to control the use of these complementary local inputs and resources. For example, China and Eastern Europe became attractive to businessmen in the Western in the years

that preceded the First World War and there were limited controls exercised on investment flows or on the scope of the activities for foreign capitalists (Buckley, 2010).

However, at that time, the Foreign Direct Investments were more directed to sector growth and larger proportions represented the activities of affiliates of Multi National Enterprises (MNEs). The First World War and the subsequent years saw many changes in the form, structure and level of international production. In the late 1920s and early 1930s, international capital markets in countries such as USA, Japan and Chine collapsed. As a percentage of trade and the world output, the chance for the international direct investment modestly increased between 1930 and 1960. In this period, the pre-war trend continued to the MNEs in favor of developed economies for new venture activity (Kiyoshi, 2008).

The outstanding FDI growth in the last 30 years triggered contradictory reactions in both emerging and industrial countries (Contessi and Weinberger, 2009). Foreign Direct Investments were of significant importance. For the hosting country, FDI contributed to business growth, increased exports, employment and initiating or accelerating economic development (Dunning, 1994). FDI was an important source of capital, an equally a beneficial source of technical and managerial know how, new technologies, thus representing a source of human capital development (Dobson & Yue, 1997). Specific assets for firms like technology, capital, managerial, technical and human resource skills were scarce in developing countries (Barrel & Pain, 1997). FDI was vital for investors as a way of entry that facilitated asset acquisition, control and management of capital acquired (Walsh & Yu, 2010).

Dobson and Yue (1997) posit that the attitude on in ward FDI had considerably changed during the past couple of decades as the majority economies had liberalized their policies so as to attract different investment types from Multinational Corporations (MNCs). The investment Climate Services for the World Bank Group recently carried out a study to show the econometric evidence behind the dichotomy. Countries with weak investment climates had limited impact on FDI as compared to countries with good investment climates (UNCTAD, 2003). There was need to verify this findings in Uganda. Interstate competition for industries and businesses had become increasingly intense (Chi, 2000). However, most research in the field of FDI had been conducted in the developed nations and that in the developing countries was more specific with results that could not easily be generalized and if so only with a lot of care to other contexts like Uganda. Therefore, evidence on incentives and FDI from the developing nations was lacking, a gap which needed to be filled, and this rendered the current study relevant in the context of Uganda.

1.2.2 Theoretical Background

This study was guided by Dunning`s eclectic paradigm which assumes that three conditions determine whether a company should internalize over foreign direct investment. The eclectic model was an economics' theory; otherwise termed as the OLI framework or OLI-Model posited to combine in one approach a number of isolated theories of international economics (Dunning, 2000). According to this theory, transactions were made in an institution when transaction costs on the free market were high compared to internal costs. In line with Dunning, it is not only the structure of the organisation which was important. He included other three factors to this theory (Dinisia, 2010) and these included; Ownership advantages (Dunning, 2000) such as technique of

production, trademark, returns to scale and entrepreneurial skills. Ownership particular merits referred to the competitive advantages for enterprises which sought to engage in Foreign Direct Investment. Investing companies with higher competitive advantages were most likely to participate in their foreign production (Dunning, 2000).

Second were advantages of localization which included availability of raw materials, special tariffs or takes and low wages among others. Location attractions referred to the alternative regions or countries for carrying out the activities aimed at value adding of MNEs. The more created or natural resources are immobile, which companies needed to jointly use with their competitive advantages, favoured a presence in a location that is foreign, the more business enterprises would choose to exploit their own particular advantages through engaging in FDI (Dunning, 2000). Thirdly advantages of internalization referred to own production instead of producing through a partnership of arrangement like a joint venture or licensing. The higher the net benefits for internalization of cross boarder middle product markets, the more like a business enterprise would prefer to participate in cross boarder production instead of licensing the right to do so (Dunning, 2000).

From Dunning, two varying types of FDI may be differentiated; resource seeking investments which were made so as to find access to basic materials such as raw materials or other factors of input as well as market seeking investments which were made to set up a new market of enter an extant market (Hagen, 1997). It was these approaches explained above which needed to be investigated on how they were exploited by the Uganda Government in a bid to attract FDI in the country.

Table 1.1 The summary of the theories that guided this study were summarized on Table 1.1

Theory	Theorist	Contribution of theory to study	Weaknesses of theory
Dunning`s eclectic theory	Dunning (2000)	The theory explains that transactions within an institution or between different countries can be conducted if the costs of transaction on the free market were high compared to internal costs. Secondly the theory highlights that business locations are determined by incentives like low wages, existence of raw materials, special tariffs or taxes.	The theory does not explain challenges that affect foreign direct investment and how they can be addressed.

1.2.3 Conceptual Background

The main study variable was FDI. The most universally accepted definition of FDI was "the IMF/OECD benchmark definition" which was offered by a combined workforce of the two international organizations with the aim to provide standards to national statistical officers for combining statistics for FDI. The essence of the definition was that Foreign Direct Investment was an international business enterprise whereby an investor who resides in the home country obtains a long term "influence" in managing an affiliate enterprise in the hosting country. In regard to this definition, existence if a long term influence needs to be assumed if voting shares or rights controlled by the multinational business enterprise are equivalent to at least 10% of the total voting shares of rights of foreign business companies (OECD, 2008). FDI was a foreign

corporation or company having essential attributes of a corporation chartered under the laws of a state or government other than that in which it was doing the business. FDI involved control of a resident entity in one country by a business resident in a different country. It was entry through mergers and acquisitions (UNCTAD, 2000). In this study, FDI was conceptualized in terms of specific ownership advantages, internalization advantages and location advantages as adapted from Dunning (2000) and Dinisia (2010).

The independent variables (IV) in this study were investment incentives which were the economic advantages which are measurable and provided by governments to particular groups of enterprises or enterprises with the aim to steer investment into favored regions or sectors of influencing the character like investments. Incentives for investment were regularly evolving. Therefore, acquiring knowledge about them was a dynamic process. In this study foreign investment incentives categorized into three dimensions; infrastructure, regulatory and fiscal incentives which were all financed by the hosting government (Dunning, 2000).

Financial or fiscal incentives were mostly used by governing in developing countries so as to motivate foreign investors to invest in their nation. Though there were numerous FDI fiscal incentives, to this study, fiscal incentives referred to financial FDI incentives including tax incentives as adapted from Cheng and Kwan (2000). For example, giving reduced cooperate tax rates, tax holidays and special tax-privileged zones to foreign investors. They also included financial incentives purposely aimed at capital formation. For example, reinvested profits, special investment allowances and investment tax credits. Minimized barriers to cross boarder operation, firms were attracted to locations in which the fiscal structure imposed reduced costs

on the cross-border transfer of funds, manpower, services and goods, some offered incentives were withholding tax, foreign trade taxation, taxation of employees and reductions for expatriate employees and executives.

Infrastructural incentives referred to reduced costs in acquisition and access to assets for doing business to foreign companies and investments financed by the host country (Cheng & Kwan, 2000). They were inspired by three observations. Firstly, a host country can be perceived to be disadvantaged relative to other sites, for instance; due to the stage of infrastructural development within that area. In such a situation, authorities assisted foreign investors by way of leveling the play field that considered as help infrastructural subsidies, for example provision of communication or physical infrastructure tailored at meet investors' needs and job training subsidies such as education of employees. Infrastructure also referred to costs which firms incurred while shifting or establishing new subsidies in other sites which would affect them in choosing suitable locations. Due to such reasons, host countries offered a subsidy towards meeting the infrastructure or machinery costs of relocation by way of expatriation or relocation support. It could also involve a policy for the infrastructural incentives targeted used as supplements with other incentives through credits to the investors real estates such as selling buildings or land to foreign investors are reduced process as well as cost participation which included assisting investors to cover their costs for start-up, aiding in developing costs and marketing (Cheng & Kwan, 2000).

According to Cheng and Kwan (2000) regulatory incentives (IV_3) referred to policies to attract foreign businesses by way of providing them with derogations from national or sub national

regulations and rules. Whereas authorities could in principle decide to derogate from regulations, in reality, the responsibility was on making east the environmental. Labour market and social related prerequisites required of the investors. The summary on how the study variables were conceptualized and operationalized was presented on Table 1.2.

Table 1.2: Summary of conceptualization and operationalization of variables

	Variable	Constructs/ Dimensions	Working definition	Operational definition
1	Foreign Direct Investment (DV)	Ownership advantages, Location advantages and Internalizatio n advantages	FDI was a cross border business enterprise in which an investor who resides a home country obtains a long term "influence" in managing an affiliate business enterprise in the host country.	Operationalized in terms of foreign investment outcomes like; human capital development, new businesses, how long the business has been in place, new jobs created, size of the business and growth.
2	Fiscal or financial incentives	Tax incentives and financial incentives	Measurable economic advantages which a government provides to particular groups of enterprises or groups of enterprises with the aim to steer investment into regions or sectors which are favored or to influence the character if the investment	Referred to tax holidays, tax credits, tax exemptions, allowances and grants to enhance foreign direct investments.
3	Infrastructural incentives	Subsidized cost and access to business assets	Infrastructural incentives referred to reduced costs in acquisition and access to assets for doing business to foreign companies and investments financed by the host country	Subsidized infrastructure, condition of infrastructure, guarantees on acquisition of assets or infrastructure, meeting relocation costs, education and training of labor.
4	Regulatory incentives	Rules, Laws and policies of doing business	Regulatory incentives referred to policies of attracting foreign enterprises through providing those derogations from sub national or national rules and regulations.	Policies on access to Social environment, **p**olicies on access to labor, Policies on access to market

1.2.4 Contextual Background

This study was conducted in Uganda, located in East African region and one of the former British colonies. Uganda is a country with an open environment to foreign investors and it offers attractive business incentives for long term and medium foreign investment. The Heritage Foundation Index (2010) for economic freedom rated the Ugandan economy 76 out of 179 nations, and the 5th most free country of 46 economies in Sub Sahara Africa basing on the ease to do business, being open to property rights, trade as well as the fiscal policy. Uganda provides incentives for investment and implemented reforms aimed at easing business transactions The Uganda Investment Authority implemented a plan of constructing industrial parks in the largest population centers of the country.

As per the Uganda Investment Authority report (2010), the country attracts several investors from the Middle East and Asia. In 2010, companies from the UAE, India and China received licenses for increasing investments worth millions of dollars. Business enterprises from traditional investor economies like South Africa, the United Kingdom (UK) and Kenya also acquired licenses. In the same year (2010), India was the major foreign investor with 47 suggested projects, worth $ 173 million. Second was the UK with 13 projects worth the value of 76 million USD. Business enterprises invested majorly in the manufacturing, finance, agriculture and mining sectors. In 2010, UIA licensed 323 projects worth 1.67 billion USD. However, actual investments were less than commitments. The United States' Foreign Direct Investment in Uganda remained comparatively low. In 2010, UIA gave licenses to six new United States Investments worth 2.2 million USD, which made United States the twenty second largest

investor in the Ugandan economy. Ugandan laws, policies and regulations were in general favorable for foreign investors although revised legislation was necessary.

1.3 Statement of the problem

Foreign investments are crucial to both the foreign investor and the host country. Foreign Direct Investment contributes to economic growth and development of the host economy and is the most preferred form of capital inflow to promote economic growth for developing economies against other forms of foreign capital like bank debt, loans, and portfolio equity investment among others (Contessi & Weinberger, 2009; Dunning, 2000; and Ritchie, 2012). FDI is an essential source of capital but equally a beneficial source of managerial and technical know-how, new technologies and represented a source of human capital improvement. FDI is further instrumental for foreign investment as a means of entry that facilitates asset acquisition, management and control of the acquired capital. Government of Uganda (GoU) offers FDI incentives in order to become a more attractive investment location. In the financial year 2013/2014, GoU incurred 11.7 billion Ugandan shillings for 2013/14 on business incentives. In 2014/2015, the government further incurred a tax expenditure of 22.1 billion Ugandan shillings (US$6.6 million), which included a corporate income tax holiday for only one company (Steel and Tube Industries).

Despite the business incentive offered, studies suggest that Uganda still lagged behind among the least FDI recipients in the world and FDI flow to Uganda has continued to decline (PSIS, 2014 Report; WIR, 2015). It was also established that in 2014, the FDI flows in Uganda declined to US$ 534 million from US$815 million. The situation clearly points out that Uganda has failed to

attract substantial amounts of FDI. Therefore, it is not known the effect business incentives have on FDI in Uganda. Therefore for an effective investment incentives approach, it was important that its role in attracting foreign investment in the economy was analyzed and evaluated. Besides, the cost of administering investment incentives was so high and results in loss of taxation, increased government expenditure, yet the gain may not be as anticipated. Against this background therefore, the study sought to examine the role played by business inncetives in attracting FDI to Uganda.

1.4 Purpose of the Study

To establish the effect of business incentives on Foreign Direct Investment in Uganda, a case study of selected investment companies in Kampala Capital City Authority.

1.5 Specific Objectives

i. To assess the effect of fiscal incentives on Foreign Direct Investment in Kampala Capital City Authority.

ii. To assess the effect of infrastructure incentives on foreign direct investment in Kampala Capital City Authority.

iii. To establish the effect of regulatory incentives on Foreign Direct Investment in Kampala Capital City Authority.

1.6 Research questions

i. What is the effect of fiscal incentives on foreign direct investment in Kampala Capital City Authority?

ii. What is the effect of infrastructure on attraction of foreign direct investment in Kampala Capital City Authority?

iii. What is the effect of regulatory incentives on foreign direct investment in Kampala Capital City Authority?

1.7 Hypotheses

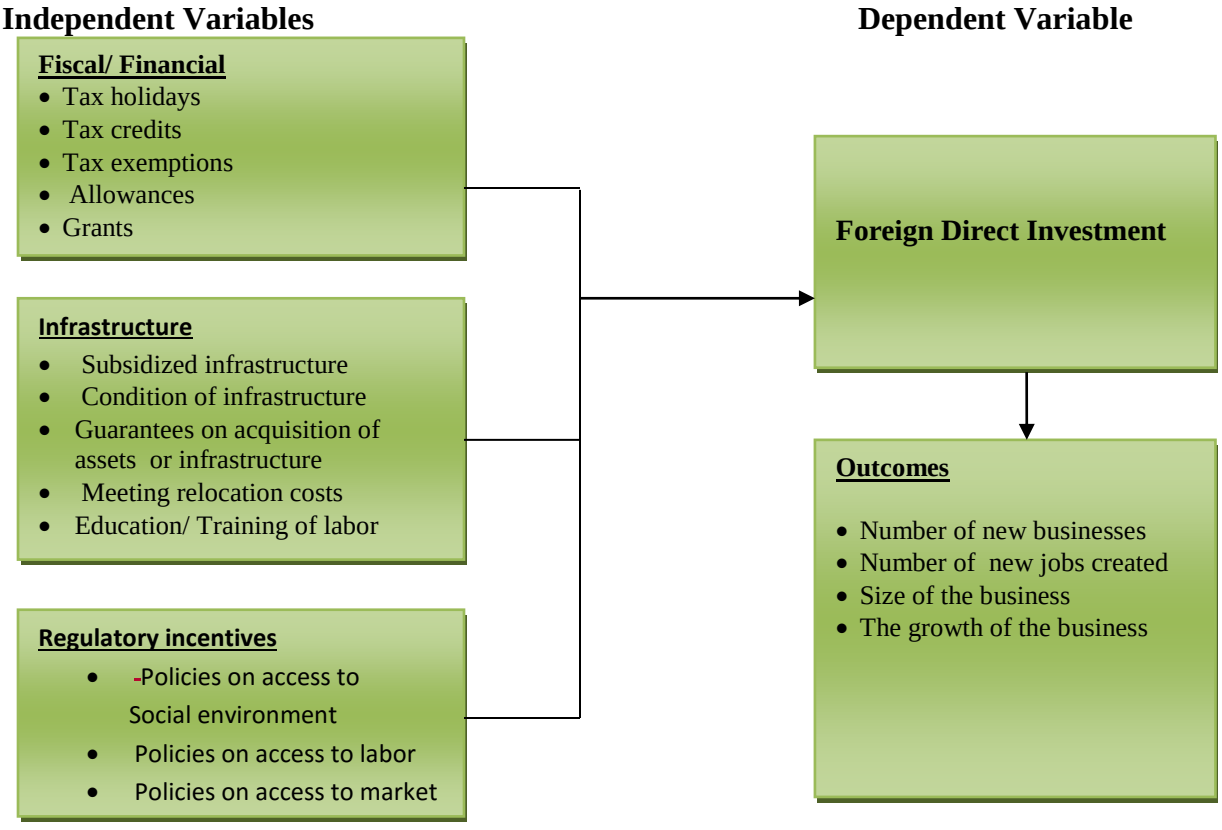
i. Fiscal incentives have a positive significant effect on Foreign Direct Investment in Uganda.

ii. Infrastructural incentives have a positive significant effect of Foreign Direct Investment in Uganda.

iii. Regulatory incentives have a positive significant effect on Foreign Direct Investment in Uganda.

1.8 Conceptual framework

The conceptual framework shows the relationship between business incentives and foreign direct investment. Business incentives include fiscal, infrastructure and regulatory incentives while the indicators of foreign direct investment are number of new businesses, number of new jobs created, size of business and the growth of business.



Source: Adopted from Morisset (2013) and modified by the researcher

Figure 1.1: A conceptual framework showing the effect of business incentives on foreign direct investment.

Figure 1.1. The conceptual framework indicated the variables of the study which included; fiscal or financial incentives (IV_1), infrastructure (IV_2) and regulatory incentives (IV_3) as well as foreign direct investment as the (DV). The independent variable indicators included; Fiscal or financial (tax holidays, tax credits and tax exemptions and allowances), Infrastructure (condition of infrastructure, access to infrastructure, subsidies on infrastructure and labor, relocation of business machinery) and the regulatory incentives (policies). All these were assumed to have direct influence on foreign direct investment with outcomes including; (Human capital development, Number of new businesses, time business spends in operation, number of new jobs created, size of the business and the growth of the business). In line with Dunning's theory, fiscal, infrastructure and regulatory incentives are necessary for a company to internalize foreign direct investment.

1.9 Justification of the study

By understanding the contribution of investment incentives in attracting foreign investment, Uganda would make the right choices of foreign direct investment incentives allocation. The costs of administering investment incentives were huge, yet their impact on attracting foreign investment in Uganda was not clearly known. This study evaluated the relevance of investment incentives on foreign investment in Uganda, and attempts to inform policy and practices.

1.10 Significance of the study

Findings from the study may be used by policy makers and Uganda Investment Authority to understand how investment incentives contribute to Foreign Direct Investment in Uganda.

Findings further guide Uganda Investment Authority on how to design better strategies that can attract more Foreign Direct Investment in Uganda.

Findings from this study provide additional literature on business incentives and Foreign Direct Investment which can be used for reference by future researchers conducting studies in the same area.

1.11 Scope of the study

This section presents the scope of the study in terms of geographical, time and content scope as explained.

1.11.1 Geographical scope

This study was conducted in selected foreign investment companies located in Kampala Capital City Authority. This is because most investment companies are located in Kampala.

1.11.2 Time scope

The study considered the period between 2012 and 2016 because during this period, Uganda put a lot of efforts in promoting foreign direct investment, yet the country has remained among the least countries in the world attracting foreign direct investors.

1.11.3 Content scope

The study was confined to business incentives in terms of fiscal incentives, infrastructural incentives, regulatory incentives and the effect they have on foreign direct investment.

1.12 Operational definitions

This section presents the operational definition of terms used in the study. It states what each term refers to in order to provide a deeper understanding on how its applicability to the study.

Tax incentive:-This was a temporary tax holiday or elimination of a tax that Government creates as an incentive for business investment.

Investment incentives:-These were loan guarantees, grants, tax credits, loans, tax exemptions and other instruments intended attract business investments or retain investments in specific locations.

Foreign Direct Investment: This refers to capital flows which result from the behavior of multinational Companies (MNCs). It was a foreign company`s investment in business activities in a different country other than the home country

Liberalization:-This was where countries were allowed to specialize in producing the goods and services where they had a comparative advantage.

Promotion treaties: These were treaties for the protection of the ozone layer

Investment Code 1991:-This was Government policy to promote, facilitate and monitor investment by rationalizing the way investment were approved and providing incentives.

Forward Linkages: This was where the distribution chain connected a supplier with the customer or where the products of one industry were used as raw materials for another industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the researcher reviewed literature on the role played by business incentives in attracting foreign direct investment. To achieve this, the researcher reviewed documents and works of other scholars in relation to the specific objectives of study. The literature review was presented in three sub-sections relating fiscal or financial, infrastructure and regulatory incentives to foreign direct investment respectively.

2.2 Theoretical review

This study was guided by Dunning`s eclectic paradigm (2000). Dunning argues that foreign direct investment is determined by three factors which included ownership advantages (Dunning, 2000) such as technique of production, trademark, returns to scale and entrepreneurial skills. Ownership particular merits referred to the competitive advantages for enterprises which sought to engage in FDI. Investing firms with greater competitive advantages were more likely to participate in their foreign production (Dunning, 2000). The second factor comprised of advantages of localization such as availability of raw materials, special tariffs or takes and low wages among others. Location attractions referred to the alternative regions or countries for carrying out the activities aimed at value adding of MNEs. The third factor was advantages of internalization referred to own production instead of producing through a partnership of arrangement like a joint venture or licensing. The higher the net benefits for internalization of cross boarder middle product markets, the more like a business enterprise would prefer to participate in cross boarder production instead of licensing the right to do so (Dunning, 2000).

From Dunning, two varying types of FDI may be differentiated; resource seeking investments which were made so as to find access to basic materials such as raw materials or other factors of input as well as market seeking investments which were made to set up a new market of enter an extant market (Hagen, 1997). It was these approaches explained above which needed to be investigated on how they were exploited by the Uganda Government in a bid to attract FDI in the country.

2.3 Fiscal incentives and foreign direct investment

In the pastyears, Foreign Direct Investment was regarded to dominate the economic literature, particularly, in aspect of development economics. Numerous studies had been conducted on the efficiency and effectiveness of fiscal or financial incentives and the attraction of foreign investment (Fakile, & Adegbile, 2011); Morisset, J. (2013) & Oyatoye et al., (2011). The approach for subsequent studies recognized the necessity for a deeper look at the role of fiscal incentives towards the process of foreign investments. The econometric tests especially used by extant literature on financial incentives, especially foreign investment and tax incentives has also considered the time series estimation for receptiveness of foreign investment differences in after tax rates for retuning in host economies and had constantly revealed a positive correlation between foreign investment levels and after tax rates for returns at country and industry levels (Edmiston, Mudd, & Valev, 2013). Other studies employed were entirely cross sectional, exploiting large variations in corporate tax rates worldwide to identify the effects which taxes have on FDI. The majority economics studies had established that the various foreign investment incentives, whether financial subsidies, tax incentives or regulatory incentives aimed at the attraction of foreign direct investors could not be a substitute for following the suitable overall

policy measures as well as focusing on the wider goal to encourage investment disregarding the source (Oyatoye et al., 2011). Nonetheless fiscal or financial incentives could work as an additional to an already enabling and attractive investment environment or may work as a compensation for imperfections in the market which have been proven and could not be addressed otherwise (Morisset, 2013).

The study revealed that tax incentives may be misused by extant companies camouflaged as new incentives by way of nominal reorganization and hence their costs of revenue could be higher. In addition, foreign direct investors who were the main target of the majority tax incentives make decisions based on joining a country on several other factors such as natural resources, transparent regulatory systems, infrastructure and political stability among others, of which tax incentives were often regarded important (Fakile, & Adegbile, 2011). The value of tax incentives may as well be questionable to a foreign investor due to the fact that the sincere beneficiary of the tax incentive can in the end not to be the investor but instead the treasury if the home country of the investor taxes the host country (Dobson & Yue, 2009).

Through the private sector advisory services publications of the World Bank, Morisset (2003) indicated that the effect of tax incentives on Foreign Direct Investment were ambiguous on the first sight. Whereas some economists opined that the provision of investment policies in general and financial or fiscal incentives especially to potential foreign direct investors played a major role in the process of making decisions regarding the location of the investment, other economists suggested that other natural fundamental factors play a more critical role compared to tax incentives (Dobson & Yue, 2009).

According to Panagiota (2010), there are two major arguments which are made against financial investment incentives, that incentives had limited, in case there is any effect on the overall foreign investment which was made global, hence in the aggregate, financial incentives made a net transfer from tax payers to the investors. Regarding foreign investors in developing countries, this transfer was majorly from a poor economy to a richer economy. Secondly, Panagiota (2010) noted that even when it is the case that that financial incentives enhanced global total investment, public costs for such incentives went beyond any extra advantages which were made by the investment.

Further, it was argued that the collocation with another business enterprise, for example agglomeration had the potential to enhance the attractiveness of other foreign investors, views that the impact of financial incentives on foreign investment was dependent on the nature of incentives for foreign investment.

In agreement with the arguments above, Jensen and Malesky (2010) published an article in the bullet in for International Taxation which indicated that conservative wisdom did not support fiscal incentives for investments, particularly, for foreign investment. The view which theorists held universally and by international organizations is that advice on financial issues was that financial and especially tax incentives are bad both in practice and theory. In theory, they were bad due to the fact that they led to distortions because decisions on investments were made which would not have been made in the absence of the inducement for special tax concessions,

yet they were not good in practice being both inefficient and ineffective (Jensen & Malesky, 2010).

From the literature review above, it can be noted that worldwide, economies had engaged in the process to attract FDI by way of several instruments and means, including fiscal or financial incentives including tax. However, it was evident that there were hardly any studies specific to the context of Uganda that addressed the highly contested impact of fiscal incentives and particularly tax incentives as a factor that contributed to foreign direct investment. In the context of Uganda, the results of this study based on both regression and Pearson's Linear correlation coefficient established a significant positive correlation between fiscal or financial incentives and foreign direct investment.

2.4 Infrastructure and foreign direct investment

Several studies suggested that infrastructure positively influenced foreign direct investment. Many studies indicated that a macro environment which is stable, including accessible and sufficient resources, access to engaging in international trade as well as presence of appropriate infrastructure and human capital played a key role in attracting foreign direct investment (Erdal &Tatoglu, 2011). Infrastructure as business incentives for FDI were usually in form of grants, loans, loan guarantees, and other techniques employed to totally or partially offset the costs of machinery, buildings, tools, worker training and land. Other than offsetting such costs, public funds can be used to expand or build infrastructure like rail access, roads, water and sewer facilities or prepare sites (Cheng & Kwan, 2000).

Hanson (2001) noted that studies of corporate executives showed that inducements for policy entered calculations of business solely when proximity to markets and raw materials, cost of energy availability of workers with the required skills and other vital criteria for investment were equally well-satisfied by several locations. Infrastructure incentives served as either a supplementary to an attractive environment for investments or as a compensation for proven imperfections in the market. Governments normally make several demands that are related to realization of incentives so as to attract positive effects accruing from foreign investments. Among the set conditions were technology transfer, setting minimal amount of investment, employment and also the necessity and appropriateness of the strategies for foreign investment incentive which ought to be studied in some periods of time as well as the responsibility and transparency of the government at different levels to increase success for the incentives.

In his study on investment infrastructural incentives, Akinkugbe (2006) revealed that investment incentives were not geographically limited or a marginal phenomenon and that on each continent, several levels of government apply location subsidies to enhance investment. He further opined that the investment infrastructural incentives were primarily the tool of industrialized economies, although increasingly developing nations had recently adopted them in effort to counter their utilization by developed economies.

Jensen and Malesky (2010) noted that in spite of the wide skepticism on the advantages of globalization, most U.S had provided beneficial infrastructural incentives for the attraction of investments. They indicated that the size for infrastructural incentives was regarded too large to enhance welfare and that numerous economists were doubtful of how effective the policies were. On the other hand, despite the available contradicting evidence, the incentives provided by the

U.S had in fact increased the generosity they had overtime. This indicated that the U.S had also been offering infrastructural incentives for investment attraction and that foreign investment was necessary without regard to the level of development.

Van-Parys and James (2010) established that in Canada, incentives were provided at the provincial level and were more centralized compared to the United States. For cases of huge incentives like the automobile industry, he revealed that there was regularly federal and provision participation in offering subsidies to acquire and access infrastructure. In regard to fast developing economies, China was shown to attract substantial investment with its limited costs of labour and immense skilled workers. In India, they held the view that the country's 2005 export processing zone legislation resulted into approving 200 EPZ business in 2007, whereas labour laws, tax breaks and regulatory concessions were the major setback. Investment Incentives for South Africa were established to have included a 30 % grant for critical infrastructure, a 15% grant for foreign investment as well as a free zone program (Country, Finance Select, 2006). The study established that the Government of South Africa introduced subsidies for location in March 2007 for centers of up to roughly US$ 8,570 each seat with US$154 million in total after budgeting for it in March 2011. Lall and Narula (2009) posit that both development and economic growth were largely dependent on improving capital availability and access to technological abilities as well as resources and infrastructure so as to attract foreign direct investment in the era of tight competition.

However the vast body of literature on infrastructural incentives as a factor of foreign direct investment related to contexts other than Uganda. The contexts mentioned here had differing

policies on their infrastructural incentives and therefore did not directly answer specific questions in relation to Uganda's infrastructural incentives as a strategy to attract foreign direct investment. Therefore the findings of these studies could not be generalized wholesome to the Ugandan context. Data analyses using both Pearson's linear correlation coefficient and regression analyses revealed that infrastructural incentives had a significant positive correlation with foreign direct investment in Uganda.

2.5 Regulatory incentives and foreign direct investment

A number of studies were consistent with each other to the effect that regulatory incentives were a key factor in relation to foreign direct investment location. For example, Cheng and Kwan (2000) posited that in order to meet expectations of investors and provide a working environment that is healthy without great economic changes, China undertook some strategic regulatory steps that were necessary to attract foreign direct investment and these included: protecting transparency of the public sector, including a system of law and courts that is impartial, ensuring that implementation of rules were not discriminatory between domestic and local enterpirses and were in accordance with the international law; offering the right to free transfer in relation to an investment and protection against arbitrary expropriation, establishing enough frameworks for a healthy environment that is competitive in the domestic business sector, removing barriers to international trade, addressing aspects of the tax system which constituted impediments to foreign investment, ensuring that public spending was relevant, adequate and tax incentives such as regulatory incentives and fiscal subsidiaries which aimed at the attraction of foreign investment were not substitutes for pursuing the relevant policy measures. Cheng and Kwan (2000) established that, due to the open door investment policy, China became the largest FDI

recipient within developing economies starting in 1992, and had been the second largest recipient worldwide after the US since 1993.

Van Parys and James (2010) on their part investigated the effect of regulatory incentives on FDI in India. They concluded that providing investment incentives through either cash grants or tax reliefs played a minor role in decisions for investment. Business enterprises made decisions basing on several factors like certainty about future government policy, projections of future demand, interest rates prevailing as well as moves by competitors. Generally, they saw incentives as good to have but not breaking the deal. Yet business incentives remained a popular policy for developing and developed economies (Erdal et al., 2011). The economic motivate for incentives in particular locations of sectors was based on the failure of markets which incentives sought to correct. For instance, examples for market failure included the public good nature of investment in development and research, information asymmetries and protection of infant industry. On the contrary, governments often provided incentives, responding to political lobbying or compensation of other policies that hindered investment.

Incentives ought to be easy to understand, transparent, as well as with low costs of administration for both government and businesses. Incentives may be automatically provided or available on a discretionary basis, but discretionary systems of allocation open ways for rent seeking behavior by politicians or public servants. The procedures and process by which incentives were implemented and designed were vital in determining their effectiveness.

Massoud (2003) stated that the extensive acceptance of the policy belief of foreign investment had enhanced both pressure and temptation on economies to fully liberalize foreign investment regimes, subsequently resulting into increasingly changing regimes of FDI in terms of attracting other FDI flows, hence offering a broad range of regulatory incentives to affect the location and size of foreign investment. Countries had thus been extending friendly regulatory incentives in form of policies to foreign firms, especially international firms, in bid to attract foreign investments. The most widespread categories of these policies were complete or partial exemptions from import duties and corporate taxes and the creation of special zones for companies that deal in exports. However, these studies were conducted in contexts outside Uganda and their findings did not specifically address the question of regulatory incentives in relation to foreign direct investment in Uganda. Moreover, the results from these studies could not be generalized wholesome to the Ugandan context leaving a gap for this study to address. This study concluded that regulatory incentives had an insignificant negative correlation with foreign direct investment in Uganda based on Pearson's and regression analyses.

2.6 Summary of literature review

The reviewed literature shows that business incentives are important in promoting foreign direct investment. The literature revealed that whereas granting tax incentives to enhance investment was common in several countries worldwide, evidence shows that the effectiveness it has in attracting incremental investments beyond and above the level which could have been reached if no incentives had been accorded, was most often questionable (Dobson & Yue, 2009). In addition, infrastructure incentives serve as either a supplementary to an attractive environment for investments or as a compensation for proven imperfections in the market. The literature

further shows that countries extend friendly regulatory incentives in form of policies to foreign firms, especially international firms, in bid to attract foreign investments. Whereas the authors indicate the importance of business incentives, they did not explain the effect each of the business incentives that is fiscal, infrastructure and regulatory incentives have ob foreign direct investment, an area where this study mainly focused.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Chapter three briefly described how the whole study was conducted. It includes the research design, techniques used in sampling, research instruments, methods for data collection, techniques for data analysis, limitations and ethics. In short the chapter covers the methodology used in the research study as it focused on the strategy of the study from identification to final data collection. Methodology directed the research in terms of planning, organizing, analyzing and interpretation of data.

3.2 Research Design

The study employed a cross sectional study design. This study was a survey design since involved the use of a big number of respondents (Best & Kahn, 1993); and a cross sectional since the required data were collected from all respondents at once within a specified time frame in order to minimize time and costs (Creswell, 2003). Qualitative techniques were used to obtain in-depth responses from some of the respondents on the variables of the study for purposes of triangulation.

3.3 Target population

The population targeted for the study was foreign companies in Uganda's market and particularly those located within Kampala. The study targeted the foreign investments located in Kampala given that it was the capital city and the business centre location with a concentration of investment incentives used as variables for the study being put in place by the government.

UBOS (2012) indicated that 77.9% of the investments in Uganda were located in central region and 63.4% of these were located in Kampala.

3.4 Determination of Sample size

The sample size of the study was 70, selected from a total population of 85 subjects from different companies. The sample size of 70 was sufficient and this is supported by Krejcie & Morgan (1970), that where a total population is 85, the sample size of 70 is adequate.

Table 3.1 Targeted population and sample size

Category	**Targeted population**	**Sample size**	**Sampling technique**
Executive	12	10	Purposive
Manager	33	27	Simple random sampling
Supervisor	40	33	Simple random sampling
Total	**85**	**70**	

Source: Primary data

3. 5 Sampling Techniques and Procedures

The study employed purposive and simple random sampling techniques due to the nature of the study that required obtaining specific information from respondents. Simple random sampling was used to select managers and supervisors. Best and Khan (2003) explain that this sampling technique makes sure that all elements in the population have equal chances to be selected.

Purposive sampling was used to select respondents with specialized knowledge on foreign direct investment who were executive directors of the companies that participated in the study. Mugenda and Mugenda (1999) stress that purposive sampling enables the researcher pick a sample based on her own judgment.

3.6 Data collection methods

Data were collected using the survey method, interviews and document reviews.

3.6.1 Survey Questionnaires

The Self-Administered Questionnaires were distributed and filled by the respondents at their own time or under the supervision of the researcher. According to Borden's and Abbot, (2008) a questionnaire is a prearranged written set of questions, which respondents provide recorded responses, most often within alternatives that are defined. Self-Administered questionnaires were a good method of data collection used to elicit data from managers and supervisors. The questions therein sought for factual information, opinions, attitudes, and interests. To enhance validity, care was taken to ask the right questions which were presented in a very simple way basing on the specific objectives.

3.6.2 Interviews

This is a data collection method that was used when dealing with purposive samples (Sekaran, 2003). Interviews were used to directly obtain information from key informants. The flexibility of the method allowed face to face interactions with executive directors of companies that were involved in the study. The respondents were interviewed on the role played by business incentives in attracting foreign investments in Uganda. The interviews were structured, meaning that there was a list of pre-determined questions that were paused to the respondents. In both face to face and or telephone interviews, the questions were the same and were asked in a manner that ensured the least bias in the responses.

3.6.3 Document Reviews

Document review was done in accordance with Amin (2005) who asserts that documentary review involves carefully studying written materials or visual information. Secondary data sources to be reviewed included a number of documents from UIA, URA and Uganda Business registration Bureau. Document review was important to back up the obtained evidence.

3.7 Data Collection Instruments

3.7.1 Questionnaire

The study used a self-administered questionnaire (SAQ) (Appendix A) for collecting data from the respondents with the title of the study and a cover letter on it and an interview guide. The SAQ was divided into sections. Section A (Background variables) had eight items. Section B (The DV, foreign direct investment) had eight items formulated to measure the variable. Section C (First IV, fiscal incentives), had ten items formulated to measure the variable. Section D (Second IV, Infrastructure) had eight items formulated to measure the variable. Section E (Third IV, regulatory incentives) had ten items constructed to measure the variable. All the items in section B, C, D and E were rated using a five point Lickert stale that ranged from 1=Strongly Disagree to 5=Strongly Agree.

3.7.2 Interview guide

Interview guide (Appendix B) was employed to obtain in-depth responses from a cross-section of managers/ and or proprietors of participating companies. The interview guide had four sub sections, namely: section A had four open ended items on the dependent variable, foreign direct investment; section B had one open ended item on the independent variable one, fiscal

incentives; section C had one open ended items on the independent variable two, infrastructure and section D had open ended item on the independent variable three, regulatory incentives. The study also used investment statistics from UIA and URA among others was used to triangulate the data collected from the informants.

3.8 Quality control of data collection instruments

In order to ensure quality of the data collection instruments, the researcher carried out validity and reliability tests before conducting the actual study as explained below:

3.8.1 Validity of instruments

The researcher ensured the validity of the tool by conforming each of the respective items to the study's conceptual framework which was directly linked to the conceptual perspective. The research supervisors validated the tool, by checking the clarity, working and relevance of the items it contained. The validity of the items was also determined using the content validity index (CVI). Two lecturers from Uganda Management Institute were chosen to rate the items as relevant or irrelevant.

$$CVI = \frac{\text{Number of Relevant items}}{\text{Total number irrelevant items}} X\ 100\%$$

$$= \frac{44}{42}$$

The calculated value was 0.86 which was above 0.5 implying that the tool was very valid to undertake the study (Amin, 2005).

3.8.2 Reliability of instruments

Reliability analysis was done, to ensure reliability for the respective multi-item constructs. This analysis was facilitated by SPSS and the Cronbach's alphas were above 0.5 rendering the instruments valid (Hair et al, 2006). On average the reliability Cronbach Alphas on each of the multi-dimensional items that were computed with the help of SPSS were above 0.5 confirming that the instrument was reliable and valid to consistently produce stable results (Tavakol and Dennick, 2011). The output of the reliability statistics were presented on Table 3.1:

Table 3.2: Reliability statistics on multi item constructs on Foreign Direct Investment, Financial incentives, infrastructure and regulatory incentives.

Variable	No. of items	Cronbach Alpha's
Foreign Direct investment	08	0.874
Fiscal or Financial Incentives	10	0.745
Infrastructure	08	0.714
Regulatory Incentives	10	0.763

Source: Primary data (2017)

The reliability Cronbach Alpha value for foreign direct investment was 0.874, fiscal incentives 0.745, infrastructural incentives, 0.714 and regulatory incentives, 0.763. The Cronbach Alpha for all variables was above 0.7 which implies that the instruments used to collect data were able to collect reliable data for the study. On the other hand, in respect to the qualitative questions in the interview guide, verification mechanisms were employed during the research process to ensure validity and reliability, hence the study's rigor (Creswell, 2003).

3.9 Procedure for Collecting Data

Once the research proposal had gone through the vetting, defense and approval procedures, the management of Uganda Management Institute issued an introductory letter to the researcher and granted permission for data to be collected for this study and at the same time requested for relevant authorities to assist the researcher. On the basis of this letter, the responsible management of the identified industries were requested to provide the researcher with access and information for the study. The researcher proceeded to the respective foreign business firms and started data collection, after which data were analyzed and a research report finally written.

3.10 Data Analysis

During the study, quantitative data obtained from questionnaires was analysed with the aid of SPSS. On the other hand, qualitative data obtained through interviews and documentary review was analysed using content and thematic analysis. Details of the data analysis are indicated below:

3.10.1 Analysis of quantitative data

The researcher computed quantitative data obtained from questionnaires into percentages and frequency counts using Statistical Package for Social Sciences (SPSS). In addition, Pearson Correlations Coefficient was employed to establish the degree of relationship between the independent and dependent variables. Sekaran (2005) noted that a correlation study is mostly relevant in conducting the study in a natural environment for the organisation which has minimal manipulation and interference by the researcher. In order to assess the effect of business incentives on foreign direct investment

3.10.2 Analysis of qualitative data

Data obtained from the in-depth interviews and documentary review was analyzed qualitatively by using content analysis where each piece of work answered was read through thoroughly to identify themes where it belongs as supported by Amin (2005). In addition, expressions that directly relate to the objectives of the study were picked and used either in verbatim or paraphrased in the study to provide first hand feeling of respondents.

3.11 Measurements of Variables

Business incentives and foreign direct investment were measured using a five point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). This measurement was chosen because each point on a scale carried a numerical score that was used to measure the opinion of the respondent and is the most used summated scale while studying social attitude. According to Amin (2005) and Mugenda and Mugenda (1999), the Likert scale can be used to measure attitudes, perception, behaviours and values of individuals towards a particular phenomenon.

3.2 Ethical Considerations

The respondents received an overview of the study in order to be objective. In this scenario, respondents who were willing to provide information on their companies were targeted. Participants were given instructions in the purpose and nature of the study. The participants also received an assurance of confidentially; since the questionnaires they filled were anonymous, they were made comfortable to share and explain personal views. They were also assured that the data and information that they provided was to be used for purely academic purposes only and the findings would be given to them. The data collection process was a collaborative and

systematic strategy by gathering information on actions and evaluating conclusions using written explanations without being intrusive.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

Chapter four provides summaries on the distribution of respondents based on their background variables. It also presents the description of the study variables and ends with answering of pertinent research questions.

4.2 Response rate

During the study, the researcher prepared questionnaires which were distributed to respondents in order for them to give their opinions on the extent to which they agreed or disagreed with the statements. In addition, the researcher prepared interview guides in order to collect data from key informants through face to face interviews. The table below presents the number of questionnaires and interview guides that were distributed/targeted and the actual number of questionnaires received back as well as the interviews actually carried out.

Table 4.1 Response rate

Research instrument	**Targeted**	**Actual**	**Percentage**
Questionnaire	60	52	86%
Interview guide	10	7	70%
Total	**70**	**59**	**84%**

Source: Primary data

Table 4.1 above shows that out of the 60 questionnaires distributed, 52 filled questionnaires were returned giving a percentage response rate of 86. In addition, out of the 10 planned interviews, seven were conducted giving a percentage response rate of 70%. The overall response rate was 84%. This response rate was above the recommended two-thirds (67%) response rate (Amin, 2005). This indicates that researcher was able to obtain enough data for a comprehensive report.

4.3 Background Variables

This section gives the distribution of respondents according to their background variables including their industry sector, origin of the company by region or continent, position held by respondent in the company, the age of the respondent, how long the company had existed in Uganda, respondents highest academic qualification, number of direct employees the company had in Uganda and the estimated company investment in Uganda. First presented is the distribution of respondents by industry or sector of the economy on Table 4.2.

4.3.1 Industry sector

During the study, researcher established the industry or sector of the investors who participated in the study. They included agriculture, manufacturing, electricity, water, transport and communication, accommodation, finance and human health among others.

Table 4.2: Distribution of respondents by industry or sector

Industry/ sector	Frequency	Percentage
Agriculture, hunting and forestry	6	11.5
Manufacturing	16	30.7
Electricity, gas and air conditioning	4	7.6
Whole sale	9	17.3
Water, sewerage and waste management	1	1.9
Transport and communication	6	11.5
Accommodation	4	7.6
Finance and Insurance activities	4	7.6
Professional, scientific and technical services	1	1.9
Human Health	1	1.9
Other	-	-
Total	52	100.00

Source: Primary data

Table 4.2 shows that the majority of the respondents (30.7%) belonged to the manufacturing sector of the economy, followed by whole sale with 17.3% of the respondents, while Agriculture, forestry and hunting contributed 11.5% of the respondents, then the sectors of electricity and energy, finance and insurance, and that of transport and communication each contributed 11.5% respondents respectively. The other sectors that contributed respondents for this study were that electricity, gas and air conditioning 7.6%, accommodation, 7.6%, finance and insurance activities 7.6%, water sewerage and water management, 1.9%, professional, scientific and technical services activities; with each contributing 1.9% percent and human health 1.9%. The above statistics indicate that respondents were obtained from different investment sectors and were able to provide reliable data on how business incentives contributed to their direct foreign investment in Uganda.

4.3.2 Origin of companies

During the study, the researcher sought the origin of foreign investment companies in Uganda, most of which were from Asia, EU, EAC, Other African countries and middle east among others. Results are presented in Table 4.3.

Table 4.3: Distribution of respondents by origin of company by regional block or continent

Region/ Continent	Frequency	Percentage
Asia	26	50
EU	4	7.6
EAC	8	15.3
Other Africa	7	13.4
Middle East	4	7.6
Others	3	5.7
Total	52	100.0

Source: Primary data

Table 4.3 revealed that the majority 50% of the respondents' companies originated from Asia, followed by EAC which contributed 15.3% of the respondents' companies region of origin, then other parts of Africa contributed 13.4% of the companies region of origin while the Middle East and EU each contributed only 7.6% of the origin of the companies that took part in this study and the other regions of the world contributed the least portion 5.7% of the participating companies. The above results imply that investment companies which participated in the study were from different continents and therefore were able to provide reliable data regarding business incentives which attracted them to invest in Uganda and not in other countries. The results further show that Asia provides most foreign direct investment to Uganda because of the business incentives received.

4.3.3 Respondents according to position held

The researcher established the position which responsibilities held in the investment companies. Most of them were managers and supervisors as indicated in Table 4.4

Table 4.4: Distribution of respondents by position held in the company

Position held in the organization	Frequency	Percentage
Manager	32	61.5
Supervisor	20	38.5
Total	52	100.0

Source: Primary data

From Table 4.4, the majority 61.5% of the respondents occupied the position of manager in their respective companies, while supervisors constituted 38.5% of the respondents. The above results indicate that data was obtained from respondents in managerial and supervisory positions who had were knowledgeable on business incentives and how they influenced or contributed to foreign direct investment in the country.

4.3.4 Respondents according to age

During the study, the researcher asked respondents to indicate their age. Results are presented in Table 4.5

Table 4.5: Distribution of respondents by age

Age in years	Frequency	Percentage
Below 30	7	13.6
31 - 45	28	53.8
46 - 60	17	32.6
Above 60	-	-
Total	52	100.0

Source: Primary data

Table 4.5 indicates that the majority of the respondents 53.8% were aged between 31 and 45 years, 32.6% were between 46-60 years while 13.6% were below 30 years. The above statistics imply that all respondents were mature, able to understand the purpose of the study and provide reliable data for the study.

4.3.5 Company's duration in Uganda

The researcher established the duration for which foreign investment companies operated in Uganda. They included those which had operated for less than 5 years, five to ten years, and more than ten years. Results are indicated in Table 4.6

Table 4.6: Distribution of respondents by period in years taken by company in Uganda

Period in years	Frequency	Percentage
Below 5 year	7	13.4
5 - 10 years	26	50
More than 10 years	19	36.5
Total	52	100.0

Source: Primary data

According to Table 4.6, the majority 50% of the respondents' companies had operated in Uganda for a period between 5 to 10 years, followed by those that had been operating in Uganda for more than ten years 36.5% while the companies that had been in operation for less than five years contributed the least 13.4% of the respondents. This implies that most companies had operated in Uganda for a longer time and had enough information on the business incentives they have received and how such incentives have contributed to foreign direct investment.

4.3.6 Respondents according to academic qualification

During the study, the researcher established respondents' academic qualifications. These ranged from Bachelors Degree to Masters Degree. Results are presented in Table 4.7

Table 4.7: Distribution of respondents by their academic qualification

Academic qualification	Frequency	Percentage
Bachelors Degree	36	69.2
Postgraduate Diploma	4	7.6
Masters Degree	11	21.1
Doctorate	1	1.9
Total	52	100.0

Source: Primary data

Table 4.7 reveals that the majority 69.2% of the respondents had Bachelor's degrees, followed by those holding Master's degrees who contributed 21.1% of the respondents, while postgraduate Diploma holders contributed 7.6% of the respondents and the doctorate was only 1.9% of the respondents. This suggested that the managers of foreign investment companies in Uganda were well educated persons with adequate skills to steer their companies to strategic business engagements in terms of foreign direct investments. However, very few of these companies seem to employ the more highly qualified persons with Doctoral qualifications and master's degrees. In addition, the results imply that the respondents were well educated and able to read and understand the questions asked to provide valid data for the study.

4.3.7 Number of direct employees

This section presents the number of direct employees in Uganda which foreign investment companies had. The number ranged from less than 100 to more than 500 employees. Details are presented in Table 4.8.

Table 4.8: Distribution of companies by number of direct employees in Uganda

Number of direct employees	Frequency	Percentage
Less than 100	19	36.5
More than 100 but less than 200	24	46.1
More than 200 but less than 500	8	15.3
More than 500	2	3.8
Total	52	100.0

Source: Primary data

From table 4.8, the majority 46.1% of the companies that took part in this study had between 100 and 200 employees in Uganda, followed by those with less than 100 employees who constituted 36.5% while companies with more than 200 but less than 500 employees were 15.3% and those more than 500 employees constituted 3.8% This suggests that foreign direct investment companies that business incentives provided to investors enable them to provide employment opportunities to Ugandans.

4.3.8 Estimate of their foreign direct investments in Uganda

During the study, the researcher established the rough estimate of foreign direct investment in US$ which each investment company had. Results are presented in Table 4.9

Table 4.9: Distribution of companies by rough estimate of foreign direct investment in US$

Estimated FDI in Uganda in US$	Frequency	Percentage
Less than 200,000	1	1.9
More than 200,000 but less than 500,000	5	9.6
More than 500,000 but less than 1,000,000	12	23.0
More than 1,000,000	34	65.5
Total	52	100.0

Source: Primary data

According to Table 4.9, the majority 65.5% of respondents foreign company investments to Uganda were above (US$) 1,000,000, while those with more than (US$) 500,000 but less than (US$) 1,000,000 were 23.0% of the respondents and those with more than (US$) 200,000 but less than (US$) 500,000 contributed 9.6% of the companies while only 1.9% had less than (US$) 200,000. This suggests that most of the foreign investment companies meet the minimum investment capital requirement and therefore did qualify to be foreign investment companies as registered by UIA.

4.4 Empirical findings on the effect of business incentives and foreign direct investment

This section presents study findings based on objectives of the study. The section first presents findings on foreign direct investment which was the dependent variable, fiscal incentives and foreign direct investment, infrastructure incentives and foreign direct incentives, then regulatory incentives and foreign direct investment, correlation analysis and multiple regression analysis.

4.4.1 Foreign direct investment

During the study, a set of statements on foreign direct were presented to respondents. While presenting the findings, respondents who strongly agreed and those who agreed were combined to form one category of “agree” since they all consented while those who strongly disagreed and those who disagreed were also combined to form a category of “disagree” with the statement. In the analysis, the third category is of respondents who remained neutral and undecided. Mean represented the number of respondents who were in support of the statement while standard deviation represented the number of respondents who gave varying responses.

Table 4.10 Responses on Foreign Direct investment

Statement	SA	A	NS	D	SD	Mean	Std.Dv
Our company has been able to register high levels of human capital development in Uganda due to business incentives.	25%	56%	11%	4%	4%	3.94	.938
We have successfully transferred technology to Uganda due to business incentives.	31%	48%	11%	4%	6%	3.94	1.056
We have opened more new businesses in Uganda because of incentives	15%	40%	25%	17 %	2%	3.50	1.019
Our company is likely to stay longer in Uganda because of incentives.	45%	36%	7%	9%	3%	4.23	.246
Our company is likely to create more jobs due to business incentives	28%	31%	9%	29 %	4%	3.10	1.034
The size of our business is likely to grow depending on incentives advanced to our company	19%	50%	19%	10 %	2%	3.75	.947
The growth that our company has registered has majorly been due to incentives	35%	36%	13%	9%	4%	3.90	1.107
Our company's business decisions depend partly on incentives given to us by government.	31%	48%	9%	7%	4%	3.94	1.037

Source: Primary data

Results in Table 4.10 show that majority 81% of the respondents agreed that their companies were able to register high levels of human capital development in Uganda due to business incentives. However, only 8% of the respondents disagreed while 11% were not sure. The findings were further verified with a mean value of 3.64 which is above average while the corresponding standard deviation was .938. The above findings imply that foreign investors benefit from business incentives which facilitate them to have an increase in human capital development.

Study findings further revealed that 79% of the respondents agreed that they have successfully transferred technology to Uganda due to business incentives. On the other hand, 10% of the respondents disagreed while 11% were not sure. The corresponding mean obtained was 3.94 which is above average, tending towards 5 (Strongly agree) implying that most respondents were

in agreement with the statement. The standard deviation of 1.056 implies that some respondents gave varying responses because they disagreed with the statement. Since the obtained mean value is way above average, it indicates that most companies have successfully transferred technology to Uganda because of the business incentives they receive from Government.

When respondents were asked whether they have opened more new businesses in Uganda because of incentives, 65% of them agreed while 32% disagreed and 2% were not sure. The corresponding mean for the statement was 3.50 which is above average while the standard deviation was 1.056. In support of the above findings, one of the key managers had this to say;

> *"We have been able to open three new business outlets/ business premises in Kampala. This is partly due to the incentives such as tax waivers/ exemption that we receive from Government of Uganda."*

The above revelation means that business incentives enable foreign investors to expand in business which is beneficial to the country in terms of job creation and generated revenue. That the company is likely to stay longer in Uganda because of incentives was supported by 81% of the respondents while 12% disagreed and 7% were not sure. The corresponding mean for the statement was mean 4.23 which is way above average implying that almost all respondents were in agreement with the statement. However, the standard deviation of .246 revealed that there were some respondents with variations in the responses given. Since the obtained mean was way above average, it implies that most investors enjoy the working atmosphere in Uganda and are willing to stay longer. This was further supported by a key informant during face to face interviews when she had this to say;

"Our company intends to keep operating in Uganda for twenty or more years. This is because we have access to affordable (cheap) labour, and there is market for our products. In addition, the social, political and economic environment in Uganda is conducive since we receive both fiscal and infrastructural incentives from Government."

This shows that the favorable environment in Uganda attracts foreign investors who are encouraged to keep operating in the country, which in turn brings economic gains. When asked whether the company is likely to create more jobs due to business incentives 59% agreed, 33% disagreed, 9% were not sure. The results were verified with a mean value of 3.10 which is slightly above average while the corresponding standard deviation was 1.034. The fact that the obtained mean value was above average implies that most respondents agreed to creating more jobs due to incentives. In support of the above findings, an Executive Director in one of the companies that participated in the study had this to say;

"When we are given incentives that lead to reduction in the expenses made, we make more profits and are able to expand our business enterprises. We therefore hope to create more jobs for Ugandan nationals."

The above findings imply that companies which receive business incentives increase their direct investment which leads to creation of more jobs especially for the nationals. This is because the incentives they receive enable them to expand their businesses. On whether the size of their business is likely to grow depending on incentives advanced to our company, 79% of the respondents agreed with the statement while 12% disagreed and 9% were not sure. The corresponding mean value for the statement was 3.75 which is above average while the standard deviation was .947. Since the obtained mean was above average, it implies that most

respondents were in agreement with the statement. When business enterprises receive incentives that subsidize costs and provide financial support, they make more profits which are injected back in business leading to growth of the company. The above findings were further supported by 71% of the respondents who consented that the growth that their companies have registered has majorly been due to incentives. However, 13% of the respondents disagreed while the other 15% were not sure. The findings were verified with a mean value of 3.90 which is way above average while the standard deviation was 1.107, implying that some respondents gave varying responses. Since the obtained mean for the statement is above average, it implies that companies have registered growth as a result of the business incentives they receive from Government of Uganda.

When respondents were asked whether their company's business decisions depend partly on incentives given by government, majority 79% of the respondents agreed, 11% disagreed while 9% were not sure. The corresponding mean value for the statement was 3.94 which is above average while the standard deviation was 1.037, implying that some respondents gave varying responses. In support of the above findings, one of the key informants had this to say;

> *"Our decision to invest in Uganda was based on several issues. First was the incentives such as the tax holidays and exemption given to us, secondly it was because of the available labour force and the law materials used by our company."*

The above findings imply that the incentives which foreign companies receive influence their decisions to invest in Uganda. This means that increased and favourable investments contribute towards increased foreign direct investment in Uganda.

4.4.2 Fiscal incentives and foreign direct investment

During the study, a set of statements on tax holidays, tax credit, tax exemption, allowances and grants were presented to respondents in order to establish their opinion on fiscal incentives. Results are presented in the table below;

Table 4.11 responses on fiscal Incentives

Statement	SA	A	NS	D	SD	Mean	Std. Dv
Low corporate tax rates / Reduced tax rates attracted our company here	16%	48%	0%	21%	17%	3.58	.936
Preferential tariff regimes are favorable and encourage us to invest here	19%	44%	27%	7%	2%	3.71	.936
Stepped-up investment measures in financing our business attracted us to invest in Uganda.	15%	56%	19%	7%	2%	3.75	.883
Financial incentives (Reductions in tax rates applying to providers of funds, e.g., reduced withholding taxes on dividends) encourages our investments here	28%	48%	5%	4%	14%	3.92	.987
Accelerated depreciation (allowing depreciation at a faster schedule than is available for the rest of the economy) encourages our investments here	38%	44%	12%	1%	4%	4.12	.963
Investment tax credit (Deduction of a certain fraction of an investment from the tax liability) is extended to my company inducing our FDI here	33%	48%	10%	7%	2%	4.02	.960
Investment allowance (Deduction of a certain fraction of an investment from taxable profits) encourage our company to invest in Uganda	33%	59%	2%	2%	4%	4.12	.900
Import holidays contributed to our decisions on investing here	27%	52%	13%	8%	0%	3.98	.852
Guarantees by government for funding helps us to invest in Uganda	35%	48%	12%	4%	2%	4.10	.891
Tax incentives mattered a lot when my company was deciding to invest in Uganda	23%	40%	21%	14%	2%	3.69	1.039

Source: Primary data

Results in Table 4.11 show that low corporate tax rates / reduced tax rates attracted respondents' companies to Uganda. This was revealed by 62% of the respondents who agreed with the statement although 38% disagreed. The responses were further verified with a mean of 3.58 which is above average and standard deviation of 0.936 which represents the number of respondents with varying responses. However, since the obtained mean is above average it implies that most companies that participated in the study were attracted to invest in Uganda because of low corporate tax rates. The above findings were further supported by a manager in one of the companies that participated in the study as quoted;

> *"We were largely attracted to operate from Uganda because of the tax exemption for our first five years of operation. This helped us to stabilize and establish ourselves in business with minimal expenses."*

The above findings imply that incentives inform of low tax rates attract more companies because they facilitate reduced expenditure which in turn leads to increase in profits made. This contributes to business sustainability, thus encouraging more foreign direct investment. Results in Table 4.11 page 51 further show that preferential tariff regimes are favorable and encourage investors to invest in Uganda. This was confirmed by 65% of the respondents agreed with the statement while 8% were not sure. The corresponding mean for the statement was 3.71 which way above the average of 3.0, implying that most respondents consented with the statement. However, the standard deviation of 0.936 shows that there were variations in the responses obtained, thus preferential tariff regimes are not favorable to them.

According to study findings, stepped-up investment measures in financing business attracted most investors to invest in Uganda. This was supported by 71% of the respondents who agreed

with the statement although 19% disagreed, while 9% were not sure. The obtained mean for the statement was 3.75 which is above average while the corresponding standard deviation was .883. Since the obtained mean for the statement is above the average of 3.0, it implies that stepped-up investment measures in financing business attracted most investors in Uganda. In support of the above statistics, one of the key informants had this to say;

> *"In support of foreign investors we extend to them fiscal support in terms of tax credits, tax holidays for a given number of their first years in operation while others are exempted from taxes depending on the type of business they do. This helps to create employment opportunities improve the country's economic growth."*

The above revelation implies that the fiscal support such as tax credits and tax holidays which investors receive encourage more companies to invest in Uganda because of reduced expenditure which increases the available capital base for investment. The above findings were further supported by 76% of the respondents who revealed that financial incentives such as reductions in tax rates applying to providers of funds, and reduced withholding taxes on dividends encourage investments in Uganda. This was consented to by 76% of the respondents who agreed with the statement. However, 18% disagreed while 5% were not sure. The above findings were verified with a mean value of 3.92 which is way above average, indicating that financial incentives encourage investments in Uganda. However, the standard deviation of .987 implies that there were variations in the responses obtained, thus some respondents did not concur with statement that financial incentives encouraged them to invest in Uganda.

Asked whether accelerated depreciation such as allowing depreciation at a faster schedule than is available for the rest of the economy encourages our investments in Uganda, majority 82% of the

respondents agreed with the statement while 5% disagreed and 12% were not sure. The findings were further verified with a mean of 4.12 which is close to 5 the highest ranking on the likert scale used (Strongly agree). This shows that almost all respondents agreed that accelerated depreciation encourages them to invest in Uganda. On the other hand, the standard deviation of .963 implies that some respondents gave varying responses and did not agree with the statement.

Investment tax credit (Deduction of a certain fraction of an investment from the tax liability) is extended to company inducing FDI in Uganda. This was confirmed by 81% of the respondents who participated in the study. This was verified with a mean value of 4.02 which is way above average. This indicates that most respondents benefit from investment tax credit and it encourages them to invest in Uganda. However, 9% disagreed of the respondents disagreed with the statement at further verified with the standard deviation .960 which shows that some respondents gave varying responses while 10% of the respondents were not sure on whether or not investment credit induced their companies to invest in Uganda. In support of the above findings, one of the key informants from Uganda Investment Authority had this to say;

> *"Government of Uganda gives a range of annual VAT deferments, deductions, exemptions and depreciation allowances. This results into investors often paying no tax at all in the first year of their investment, and usually paying substantially less than the 30 percent corporate tax rate in the subsequent years of their investment."*

The above findings imply that foreign investment companies which operate in Uganda receive a range of financial incentives which exempt them from incurring huge costs at the start of their business enterprises which eventually encourages more foreign direct investment in the country. That investment allowances such as deduction of a certain fraction of an investment from taxable profits encourage company to invest in Uganda was supported by majority 92% of the

respondents. However, 6% of the respondents disagreed while 2% were not sure. The corresponding mean for the statement was 4.12 which is way above average and close to 5. This implies that most respondents supported the idea that investment allowances encouraged their companies to invest in Uganda. However, the standard deviation of .900 implies that some respondents gave varying responses and therefore, did not agree with the statement.

In addition, import holidays contributed to decisions of most companies to investing in Uganda. This was supported by 79% of the respondents although 8% disagreed while 13% were not sure. The corresponding mean for the statement was 3.98 which is above average while the standard deviation of .852 represented the number of people with varying responses. In support of the above findings, one of the key informants had this to say;

> *"Import holidays contributed to our decisions to invest in Uganda because our company was given exemption on importation of all plants and machinery not available in Uganda. This reduced on the expenses we had to incur while importing them to Uganda."*

This implies that fiscal incentives such as exemption of taxes on the importation of machinery encourage more investors in Uganda. A review of the Investment code (sec.22) revealed that the government gives investors exemptions on the importation of plant, machinery and construction materials which are not available in Uganda provided the said items are not more than five years old.

According to study findings, guarantees by government for funding help investors to invest in Uganda. This was revealed by 83% of the respondents compared to 6% who disagreed and 12%

that were not sure. The findings were further verified with a mean of 4.10 which is way above average while the standard deviation of .891 implies that some respondents gave varying responses. This is in line with Section 27 of the Investment Code, which gives export investors a drawback of duties and sales tax, payable on imported inputs used in producing goods for exports. Exporters are given a refund of sales and excise taxes paid when importing.

On whether tax incentives mattered a lot when my company was deciding to invest in Uganda, majority 63% of the respondents agreed while 23% disagreed and14% were not sure. The corresponding mean for the statement was 3.69 while the standard deviation was 1.039. This implies that most companies decided to invest in Uganda due to the tax incentives received. The above findings were further supported by an executive director of one of the companies that participated in the study when he had this to say;

> *"Tax incentives mattered a lot when deciding to invest in Uganda because our company was given tax holidays for five years. In addition, we were allowed to import motor vehicles for personal use without paying import taxes."*

This shows that tax incentives are critical for foreign companies to decide to invest in Uganda. A review of the Uganda Investment code revealed that for both investors, if the investments range between US$300,000 and US$500,000 category, the period of the tax holiday becomes five years. If the investment is in the priority area group such as processing of crops, fish, forest products and meat, the investor gets one additional year on top of the already given amount depending on the investment (S.25, Investment Code 1991). In addition, investment Code, S.26 states that foreign investors and their expatriate employee are each entitled to one motor vehicle

for personal use, together with personal and household effects over which payment of import duty and sales tax are exempt if imported within 12 months of the date of arrival.

4.4.2.1 The effect of fiscal incentives on foreign direct investment

To establish the effect of fiscal incentives on foreign direct investment, a regression analysis was conducted using ANOVA techniques of adjusted R^2 Values, standardized beta values, t-values and the significance measured at 0.05 levels. The results are tabulated below.

Table 4.12 Model summary of fiscal incentives and direct foreign investment

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.822[a]	.676	.669	.40371

a. Predictors: (Constant), Fiscal incentives

Source: Primary data

The model summary in Table 4.12 shows adjusted R^2 value of 0.669 between fiscal incentives which is suggesting that fiscal incentives alone predicted 66.9% (0.669*100) of the variance in direct foreign investment. The adjusted R^2=0.669and standard error of estimate of 0.40371 suggested that fiscal incentives were a high significant predictor of direct foreign investment.

Further regression analysis was made to understand variation in fiscal incentives by direct foreign investment and results are presented in Table 4.13 below

Table 4.13 Anova

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.993	1	16.993	104.261	.000[a]
	Residual	8.149	50	.163		
	Total	25.142	51			

a. Predictors: (Constant), Fiscal incentives
b. Dependent Variable: Foreign direct investment
Source: Primary data

From the regression results in the ANOVA above, it can be deduces that fiscal incentives has got a high contribution to direct foreign investment, Fisher's ratio F =104.261 and significance value (0.000[a]) which is below 0.05. This means that improvement in fiscal incentives would result in increased direct foreign investment in Uganda. Since the significance calculated 0.000[a] is lower than 0.05, the researcher accepted the hypotheses which stated that fiscal incentives have a significant positive effect on attraction of foreign investment in Uganda.

From the above findings, both qualitative and qualitative data points to the fact that fiscal incentives have a positive contribution towards foreign direct investment in Uganda. Reduced tax rates allowances and import holidays reduce companies' expenditure which encourages foreign direct investment in the country.

4.4.3 Infrastructural incentives and foreign direct investment

During the study, a set of statements on subsidized infrastructure, condition of infrastructure, acquisition of assets and training for labour were presented to respondents in order to establish their opinion on infrastructural incentives. Results are presented in the table below;

Table 4.14 Responses on infrastructural Incentives

Statement	SA	A	NS	D	SD	Mean	Std.Dv
Providing investment grants for business infrastructure attracted our company here	20%	56 %	4%	18%	2%	3.87	.908
Government's support on providing infrastructure pulled us here	17%	50 %	9%	22%	2%	3.69	.961
Making investment subsidies on assets like land, buildings and production facilities like water attracted our company to invest here	30%	46 %	7%	10%	7%	3.99	1.035
Fostering investment in plants and machinery by reducing the cost of capital and relocation boosted our investments here	25%	42 %	7%	10%	16%	3.75	1.064
The government's commitment to improve on road, railway and power supply infrastructure helped to promote our investments here.	34%	40 %	8%	15%	3%	3.87	.950
The government support on worker training was a key factor in our decision to invest here	11%	37 %	6%	11%	36%	2.35	1.027
The low cost labor enabled my company to settle and invest here.	31%	52 %	8%	4%	4%	4.04	.949
The availability of raw materials for our company production was one of the most important aspects we considered when deciding to invest here	23%	63 %	12%	2%	0%	4.02	.754

Source: Primary data

Results in Table 4.14 show that providing investment grants for business infrastructure attracted most company in Uganda. This was revealed by76% of the respondents who agreed with the statement while 20% disagreed and 4% were not sure. The corresponding mean value was 3.87 which is above average while the standard deviation of .908 implies that there were variations in the responses obtained. Since the obtained mean value was above average, it implies that investment grants for business infrastructure has attracted many companies to Uganda. This was supported by a key informant who had this to say;

"Our company invested in Uganda because incentives contribute 60% to its existence. In addition, infrastructural development in terms of electricity and road network has had a big impact on the company's existence in Uganda."

From the above response, it can be noted that incentives account for more than a half of the reasons investment companies exist in Uganda. This means that further improvement in incentives particularly infrastructure will lead to increased investment companies in Uganda. In addition, the findings were further supported by 67% of the respondents who revealed that government's support on providing infrastructure pulled them to Uganda, compared to 24% who disagreed with the statement and 9% that were not sure. The corresponding mean for the statement was 3.69 which is above average while the standard deviation of .961 which represents the number of respondents that gave varying responses. Since the obtained mean was above average, it shows that improvement infrastructure leads to increased investment companies in Uganda. The findings were further supported by a manager in one of the companies during face to face interviews as quoted;

"Government's support on providing infrastructure in terms of electricity, water, good road network and telecommunication facilities has largely contributed to our existence in the country."

The above revelation implies that provision of infrastructure by Government plays a fundamental role in attracting investors in Uganda. This is because infrastructural facilities such as electricity, water and communication networks are a necessity for smooth operations of investment companies. The study further established that making investment subsidies on assets like land, buildings and production facilities like water attracted most company to invest in Uganda. This was reported by 76% of the respondents although 17% disagreed while 10% were not sure. The

statistics were verified with mean of 3.99 which is above average while the standard deviation of 1.035 represents the number of people who gave varying responses. Since the obtained mean value was above average, it implies that most respondents were in agreement with the idea that investment subsidies in assets attracted more companies to invest in Uganda. Assets such as land are leased to investors for 49 years and more at subsidized rates to encourage them invest in Uganda. Increased foreign investment in Uganda contributes towards increased employment opportunities and revenue in terms of foreign exchange particularly for companies that produce good for export.

During the study, it was further established that fostering investment in plants and machinery by reducing the cost of capital and relocation boosted investments in Uganda. This was supported by 67% of the respondents while 26% of the respondents disagreed and 7% were not sure. The corresponding mean obtained for the statement was 3.75 which is above average. This shows that fostering in plants and machinery boosts investment in Uganda. On the other hand, the standard deviation of 1.064 shows that there were variations in the responses obtained, thus some respondents did not agree with the statement.

Study findings further revealed that the government's commitment to improve on road, railway and power supply infrastructure helped to promote investments in Uganda. This was reported by 74% of the respondents although 18% disagreed while 8% were not sure. The corresponding mean value obtained for the statement was 3.87 which is above average while the standard deviation of .950 implies that there were variations in the responses obtained. The fact that the mean value obtained was above average, it implies that most respondents were in support of the

idea that government's commitment to improve infrastructure has helped to promote investment in Uganda. The above findings were further supported by a key informant during face to face interviews when he had this to say;

> *"Government's commitment to improve infrastructure has greatly promoted investment in Uganda. For example, the availability of electricity and water are very important for the operations of company activities. In addition, good road network facilities quick transportation of raw materials and finished products to various market points."*

This implies that good infrastructure attracts and facilitates foreign direct investment in Uganda. When respondents were asked whether government support on worker training was a key factor in our decision to invest in Uganda, 48% agreed while 47% disagreed and 6% were not sure. The corresponding mean obtained for the statement was 2.35 which is below average while the standard deviation of 1.027 implies that there were variations in the responses obtained. This shows that government support on worker training has not greatly influenced investors to invest in Uganda.

The low cost labor enabled most company to settle and invest in Uganda. This was revealed by 83% of the respondents who agreed with the statement. Only 8% disagreed while the other 8% were not sure. The findings were verified with a mean value of 4.04 which is way above average. This means that low cost labour encourages most investors to settle in Uganda. However, the standard deviation of .949 implies that there were variations in the responses obtained. The obtained mean value for the statement was above average which implies that low labour cost enabled most companies to settle in Uganda. Since Uganda does not have a minimum labour

wage, most investment companies determine the amount of money to pay employees and therefore may not incur exorbitant costs in terms of labour.

Similarly, 86% of the respondents reported that the availability of raw materials for their company production was one of the most important aspects they considered when deciding to invest in Uganda. This was reported by 86% of the respondents. Only 2% disagreed while 12% were not sure. The findings were further verified with a mean value of 4.02 which is way above average while the standard deviation of .754 showed that there were variations in the responses obtained. The fact that the corresponding mean value for the statement was way above average implies that availability of raw materials attract investment companies to invest in Uganda. The above findings were further supported by a key informant during face to face interviews when she had this to say;

> *"Our company is agro-based and therefore decided to invest in Uganda because we are able to get a lot of agro-based raw materials from local farmers. We support farmers to grow crops which in turn buy from them as raw materials for the company."*

The above findings imply that availability of raw materials in Uganda has encouraged such a company to decide on investing in the country.

4.4.3.1 The effect of infrastructural incentives on foreign direct investment

To establish the effect of infrastructural incentives on foreign direct investment, a regression analysis was conducted using ANOVA techniques of adjusted R^2 Values, standardized beta values, t-values and the significance measured at 0.05 levels. The results are tabulated below.

Table 4.15 Model summary of infrastructural incentives and direct foreign investment

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.658[a]	.432	.421	.53425

a. Predictors: (Constant), Infrastructural incentives
Source: Primary data

The model summary in Table 4.15 shows adjusted R^2 value of 0.421 between infrastructural incentives which is suggesting that infrastructural incentives alone predicted 42.1% (0.421*100) of the variance in direct foreign investment. The adjusted R^2= 0.421and standard error of estimate of 0.53425 suggested that infrastructural incentives were a moderate significant predictor of direct foreign investment.

Further regression analysis was made to understand variation in infrastructural incentives by direct foreign investment and results are presented in Table 4.16 below

Table 4.16 Anova for infrastructural incentives and direct foreign investment

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.870	1	10.870	38.085	.000[a]
	Residual	14.271	50	.285		
	Total	25.142	51			

a. Predictors: (Constant), Infrastructural incentives
b. Dependent Variable: Direct Foreign Investment
Source: Primary data

From the regression results in the ANOVA above, it can be deduces that infrastructural incentives has got a moderate contribution to direct foreign investment, Fisher's ratio F =38.085

and significance value (0.000^a) which is below 0.05. This means that improvement in infrastructural incentives would result in increased direct foreign investment in Uganda.

Since the significance calculated 0.000^a is lower than 0.05, the researcher accepted the hypotheses which stated that infrastructural incentives have a significant positive effect on attraction of foreign investment in Uganda.

From the results obtained, both qualitative and quantitative data reveal that infrastructural incentives attract foreign direct investment in Uganda. Government support in terms of grants for business infrastructure production facilities and raw materials are fundamental for increased foreign direct investment in the country.

4.4.4 Regulatory incentives and foreign direct investment

During the study, a set of statements on policies to access social environment, labour market and regulatory framework were presented to respondents in order to establish their opinion on regulatory incentives. Results are presented in the table below;

Table 4.17 Responses on regulatory Incentives

Statement	SA	A	NS	D	SD	Mean	Std.Dv
A predictable and non-discriminatory regulatory environment and an absence of undue administrative impediments to business is provided	27%	52%	15%	4%	2%	3.98	.874
A stable macroeconomic environment, including access to engaging in international trade is ensured.	21%	60%	4%	7%	8%	3.96	.791
Transparency of public sector, including an impartial system of courts and law enforcement is encouraging	15%	54%	2%	4%	25 %	3.17	.831
Availability of adequate frameworks for a healthy competitive environment is ensured	21%	56%	13%	8%	1%	3.87	.908
Availability of rules and their implementation resting on the principle of non-discrimination between foreign and domestic enterprises all in accordance with international law is encouraging	12%	62%	15%	10 %	2%	3.71	.871
Presence of the right of free transfers related to an investment and protecting against arbitrary expropriation is assured	21%	40%	17%	20 %	2%	3.49	.981
Providing political backup (Bilateral investment treaties and investment incentive agreements) is one key factor encouraging us to invest here	26%	48%	12%	12 %	2%	3.81	1.058
Bilateral and regional free trade agreements contribute to our investment decisions here	30%	39%	3%	26 %	0%	3.87	1.034
Ensuring transparence among business players is encouraging	20%	44%	9%	10 %	17 %	3.68	.922
Ensuring a stable and conducive overall macroeconomic and regulatory environment encouraged us to invest in Uganda.	43%	23%	10%	8%	15 %	3.82	1.123

Source: Primary data (2017)

Results in Table 4.17 show that a predictable and non-discriminatory regulatory environment and an absence of undue administrative impediments to business is provided to investors. This was reported by 79% of the respondents. However, 6% disagreed while 15% were not sure. The corresponding mean for the statement was 3.98 while the standard deviation obtained was .874 which implies that there were variations in the responses obtained. Since the mean value was

above average, it shows that most respondents were in support of the idea that a predictable and non-discriminatory regulatory environment and an absence of undue administrative impediments to business is provided to investors.

Similarly, a stable macroeconomic environment, including access to engaging in international trade is ensured as revealed by 81% of the respondents. However, 15% of the respondents disagreed while 4% were not sure. The findings were further verified with a mean of 3.96 which is above average while the standard deviation .791 representing the number of respondents with varying responses. In support of the above findings, one of the key informant had this to say;

> *"We have been able to participate in international trade in terms of importing material that are not locally available in Uganda as well as export our products to foreign companies, and this has boosted our investment in the country."*

The above revelation shows that the stable macroeconomic environment in Uganda has enabled investors to engage in international trade who promotes investment in Uganda. In addition, 69% of the respondents revealed that transparency of public sector, including an impartial system of courts and law enforcement is encouraging. However, 29% disagreed while 2% were not sure. The findings were verified with mean of 3.17 which is above average while the corresponding standard deviation was .831. This shows that some respondents did not concur that transparency of public sector in Uganda is encouraging.

According to the study, availability of adequate frameworks for a healthy competitive environment is ensured. This was reported by 77% of the respondents who agreed with the statement compared with 9% who disagreed while 13% were not sure. The mean of 3.87 which

is above average implies that most respondents consented that availability of adequate frameworks is assured. However, the standard deviation of .908 shows that there were significant variations in the responses obtained regarding frameworks for a healthy competitive environment. Since the obtained mean value was above average, it implies that most respondents were in agreement with the idea that availability of adequate frameworks for a healthy competitive environment is ensured. However, results from key informant interviews revealed that there is no health competitive environment at quoted;

> *"There is no adequate framework for a health competitive environment because some investors import items available in Uganda such as cement, mattresses and television sets among others. In situations where they are not detected, they import such items tax free which places them at an advantage compared to local traders who pay huge taxes whenever they import such items."*

This implies that Uganda has a weak regulatory framework to prevent investors from importing items which are locally manufactured within the country. When respondents were asked whether availability of rules and their implementation resting on the principle of non-discrimination between foreign and domestic enterprises all in accordance with international law is encouraging, 74% agreed of the respondents agreed, 12% disagreed while 15% were not sure. The above findings were further verified with mean of 3.71 which is above average and standard deviation .871 which represents the number of respondents who gave varying responses. In support of the above findings, a manager in one of the companies was quoted saying;

> *"The rules and regulations in Uganda are fair and do not discriminate against foreign and domestic enterprises. This encourages foreign investment in the country*

due to adherence to the international law that promotes foreign investment and international trade."

This means that Uganda has favorable rules and regulations that provide opportunities for both enterprises to invest in the country, and this attracts more foreign direct investors to the country. Study findings further established that the presence of the right of free transfers related to an investment and protecting against arbitrary expropriation is assured. This was reported by 61% of the respondents compared to 22% who disagreed and 17% that were not sure. The corresponding mean for the statement was 3.49 while the standard deviation was .981. Since the obtained mean was above the average of 3.0, it implies that most respondents were in agreement with the presence of the right of free transfers related to investment.

That providing political backup (Bilateral investment treaties and investment incentive agreements) is one key factor encouraging investors to invest in Uganda was reported by 74% of the respondents. However, 14% disagreed while 12% were not sure. The findings were verified with mean of 3.81 which is above average while the standard deviation of 1.058 represents the number of respondents who did not agree with the statement. Since the obtained mean value was above average, it implies that political backup encourages investment in Uganda. The above findings were further supported by a key informant during face to face interviews as quoted below;

"Uganda has good international relations with our country. Through negotiations, the Government agreed to provide a 10-year tax holiday for our company because we are engaged in export-oriented production which encouraged us to invest here."

This shows that good international relations between Uganda and the investors' countries of origin attract more investors to the country because the two countries negotiate terms which promote foreign direct investment in Uganda. Asked whether bilateral and regional free trade agreements contribute to our investment decisions in Uganda, majority 71% of the respondents agreed, while 26% disagreed and 3% were not sure. The obtained mean value for the statement was 3.87 which is above average while the standard deviation was 1.058. This shows that there were some variations in the responses obtained. In addition, ensuring transparence among business players is encouraging as revealed by 64% of the respondents. However, 27% of the respondents disagreed while 9% were not sure. The corresponding mean obtained for the statement was 3.88 which is above average while the standard deviation of .922 implies that there were variations in the responses obtained. Ensuring a stable and conducive overall macroeconomic and regulatory environment encouraged companies to invest in Uganda. This was supported by 66% agreed of the respondents although 23% disagreed while 8% were not sure. The obtained mean of 3.82 which is above average shows that a stable and conducive overall macroeconomic and regulatory environment encourages investment in Uganda. However, the standard deviation of 1.123 shows that there were variations in the responses obtained.

4.4.4.1 The effect of regulatory incentives and foreign direct investment

To establish the effect of regulatory incentives on foreign direct investment, a regression analysis was conducted using ANOVA techniques of adjusted R^2 Values, standardized beta values, t-values and the significance measured at 0.05 levels. The results are tabulated below.

Table 4.18 Model summary for regulatory incentives and foreign direct investment

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628[a]	.395	.383	.55169

a. Predictors: (Constant), Regulatory incentives
Source: Primary data

The model summary in Table 4.18 shows adjusted R^2 value of 0.383 between regulatory incentives which is suggesting that regulatory incentives alone predicted 66.9% (0.669*100) of the variance in direct foreign investment. The adjusted R^2=0.383 and standard error of estimate of 0.55169 suggested that fiscal incentives were a moderate significant predictor of direct foreign investment. Further regression analysis was made to understand variation in regulatory incentives by direct foreign investment and results are presented in Table 4.19 below

Table 4.19 Anova for regulatory incentives and direct foreign investment

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.924	1	9.924	32.604	.000[a]
	Residual	15.218	50	.304		
	Total	25.142	51			

a. Predictors: (Constant), Regulatory incentives
b. Dependent Variable: Direct foreign investment
Source: Primary data

From the regression results in the ANOVA above, it can be deduces that regulatory incentives has got a moderate contribution to direct foreign investment, Fisher's ratio F =32.604 and significance value (0.000[a]) which is below 0.05. This means that improvement in regulatory incentives would result in increased direct foreign investment in Uganda.

Since the significance calculated 0.000[a] is lower than 0.05, the researcher accepted the hypotheses which stated that regulatory incentives have a significant positive effect on attraction of foreign investment in Uganda. According the results, both qualitative and quantitative data revealed that regulatory incentives lead to increased foreign direct investment in Uganda. Non discriminatory regulatory environment and an overall macroeconomic environment among others, attract more foreign investment to Uganda.

4.5 Relationship between business incentives and foreign direct investment

The study examined the relationship between fiscal incentives, infrastructural incentives, and regulatory incentives and foreign direct investment. In order to establish the direction of relationship between these variables, Pearson (r) correlation coefficient was computed as shown in the table below.

Table 4.20 Pearson (*r*) correlation coefficient matrix of the component variables

Variables	**1**	**2**	**3**	**4**	**5**
Foreign direct investment -1	1.000				
Fiscal incentives -2	.822**	1.000			
Infrastructural incentives -3	.658**	.806**	1.000		
Regulatory incentives - 4	.628**	.797**	.728**	1.000	

** Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data

4.5.1 Fiscal incentives and foreign direct investment

The findings in table 4.20 above revealed that fiscal incentives had a significant relationship with foreign direct incentives because the p-value was less than the significance level (0.01). The

Pearson correlation coefficient (r=0.822) was above 0.5 which shows strong positive relationship with foreign direct incentives. Therefore fiscal incentives have a statistically significant strong positive relationship with foreign direct investment in Uganda. This means that improvement in fiscal incentives can lead to increased foreign direct investment in Uganda.

4.5.2 Infrastructural incentives and foreign direct investment

The findings in table 4.20 above revealed that infrastructural incentives had a significant relationship with foreign direct incentives because the p-value was less than the significance level (0.01). The Pearson correlation coefficient (r=0.658) was above 0.5 which shows strong positive relationship with foreign direct incentives. Therefore infrastructural incentives have a statistically significant strong positive relationship with foreign direct investment in Uganda. This means that improvement in infrastructural incentives in terms of access to electricity, good road network and telecommunication facilities can lead to increased foreign direct investment in Uganda.

4.5.3 Regulatory incentives and foreign direct investment

The findings in table 4.20 above revealed that regulatory incentives had a significant relationship with foreign direct incentives because the p-value was less than the significance level (0.01). The Pearson correlation coefficient (r=0.628 was above 0.5 which shows strong positive relationship with foreign direct incentives. Therefore regulatory incentives have a statistically significant strong positive relationship with foreign direct investment in Uganda. This means that improvement in regulatory incentives such as transparent and fair trade laws can lead to increased foreign direct investment in Uganda.

4.6 Multiple regression analysis for business incentives and foreign direct investment

In the table 4.21 below, the researcher presents the magnitude of fiscal, infrastructural and regulatory incentives on foreign direct investment. This was done to determine the better predictor component of foreign direct investment in Uganda.

Table 4.21 Regression Analysis of the component variables

Model	**Un standardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	.178	.377		.471	.639
Fiscal incentives	.856	.150	.810	5.697	.000
Infrastructural incentives	.069	.156	.072	.443	.660
Regulatory incentives	.155	.067	.096	.689	.494
R =0.824 R- square = 0.679		**F= 33.862 Sig = 0.000**			

Source: Primary data

The table 4.21 above shows the components of business incentives that is; fiscal, infrastructural and regulatory incentives which significantly predict foreign direct investment as shown by significance level (.000). The regression analysis showed that the study variables had a strong positive effect on foreign direct investment. Thus the study variables explain 67.9% of the variance in foreign direct investment in Uganda. The findings further revealed that fiscal incentives (Beta= .810, Sig. < .000) was a better predictor of foreign direct investment and this was followed by regulatory incentives (Beta = .096, Sig. < .494) and infrastructural incentives with (Beta= .072, Sig. < .660).

Chapter four has presented the response rate, background information of the respondents showing the industry or sector, origin of the company, position held, age, company duration in

Uganda, academic qualification, number of employees and estimate of foreign direct investment. This information was important in showing the categories and competence of the respondents. The chapter has further stated study findings, analysis and interpretation of the data, based on the themes derived from objectives of the study, indicate that business incentives influence in the attraction of foreign direct investment in Uganda. Basing on study findings, the next chapter presents the discussion, conclusions and recommendations of the study.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents, the summary, discussion, conclusions and recommendations basing on objectives of the study.

5.2 Summary

Findings indicated that fiscal incentives significantly influence foreign direct investment. Findings further revealed that infrastructural incentives have an effect on foreign direct investment. In addition, regulatory incentives also have a significant effect on foreign direct investment.

5.2.1 Fiscal Incentives and foreign direct investment

Fiscal incentives had a significant effect on foreign direct investment because the p-value (0.000) was less than the significance level (0.05). The Pearson correlation coefficient (0.822**) which shows strong positive relationship with foreign direct investment. Therefore fiscal incentives have a statistically significant strong positive effect on foreign direct investment.

5.2.2 Infrastructural Incentives and foreign direct investment

Infrastructural incentives had a significant effect on foreign direct investment because the p-value (0.000) was less than the significance level (0.05). The Pearson correlation coefficient (0.658**) which shows strong positive relationship with foreign direct investment. Therefore

infrastructural incentives have a statistically significant strong positive effect on foreign direct investment.

5.2.3 Regulatory Incentives and foreign direct investment

Regulatory incentives had a significant effect on foreign direct investment because the p-value (0.000) was less than the significance level (0.05). The Pearson correlation coefficient (0.628**) which shows strong positive relationship with foreign direct investment. Therefore regulatory incentives have a statistically significant strong positive effect on foreign direct investment.

5.3 Discussion

This sub section discusses study findings with reference to existing literature. During the discussion, the researcher gave her opinion regarding findings from the study and extant literature. The discussion is based on three themes which were derived from objectives of the study.

5.3.1 Fiscal Incentives and foreign direct investment

During the study, it was established that low corporate tax rates attracted companies to Uganda. Companies were largely attracted to invest in Uganda because of the tax exemption for the first years' of operation. This helped companies to stabilize and establish themselves with minimal expenses. This is supported by Dobson and Yue (2009) who asserted that tax policies for developing countries which include granting tax incentives to promote investment was common in countries around the world, and effective in attracting incremental investments. In addition, preferential tariff regimes are favorable and encourage investors and stepped-up investment measures in financing business attracted most investors to invest in Uganda. This is collaborated

by Morisset (2013) who contends that favorable terms of trade and tariffs as well as tax incentives are influential factors for multinational corporations in selecting investment locations.

Study findings further established that financial incentives such as tax rate reductions applying to providers of funds as well as reduced withholding tax on dividends encourage investments in Uganda. This is contrary to Walsh and Yu (2010), who looked at incentives and foreign investment as the threat to realization of socio economic rights through competition to use tax incentives in attracting FDI. The authors argue that the major challenge in deploying tax incentives as a mechanism to attract FDI lay in the fact that it was not driven by economic reasons but rather political ones.

During the study, it was established that investment tax credit is extended to companies inducing FDI in Uganda. Government of Uganda gives a variety of deductions, annual VAT deferments, depreciation allowances and exemptions. This results into investors often not paying tax at all during their first year of investment and usually paying considerably less than 30 percent to corporate tax rate in the subsequent years of their investment aimed at enhancing their investment in the country. The above findings contradict Panagiota (2010) who asserted that incentives had limited, if any effect on aggregate foreign investment made worldwide, thus in total, fiscal incentives made a net transfer from tax payers to investors.

The study further revealed that import holidays contributed to decisions of most companies to investing in Uganda because companies were given exemption on importation of all plants and machinery not available in the country which reduced on the expenses companies had to incur. This is further supported by Jensen and Malesky (2010) who asserted that import holidays and

other financial incentives encourage foreign investment most especially in developing countries. Similarly, the Investment code (sec.22) states that the government gives investors exemptions on the importation of plant, machinery and construction materials which are not available in Uganda provided the said items are not more than five years old.

Study findings further revealed that guarantees by government for funding help investors to invest in Uganda. This is in line with Section 27 of the Investment Code, which gives export investors a drawback of duties and sales tax, payable on imported inputs used in producing goods for exports. Exporters are given a refund of sales and excise taxes paid when importing. In addition, tax incentives mattered a lot when most company were deciding to invest in Uganda because they were given tax holidays and allowed to import plants and other necessary items not locally available in Uganda. Indeed the Uganda Investment code states that if the investments range between US$300,000 and US$500,000 category, the period of the tax holiday becomes five years. If the investment is in the priority area group such as processing of crops, fish, forest products and meat, the investor gets one additional year on top of the already given amount depending on the investment (S.25, Investment Code 1991). On the contrary, Morisset and Pirnia (2011) contend that tax incentives are beneficial for the cost of capital but at the same time costly in terms of forgone revenue.

5.3.2 Infrastructural Incentives and foreign direct investment

During the study, it was established that providing investment grants for business infrastructure attracted most company in Uganda. Companies invested in Uganda because incentives contribute a bigger percentage to their existence. In addition, Government's support on providing

infrastructure pulled most companies to Uganda. Government's support on providing infrastructure in terms of electricity, water, good road network and telecommunication facilities has largely contributed to their existence in the country. This is supported by Cheng and Kwan (2010) who asserted that infrastructural incentives affected the location decisions of firms. Making investment subsidies on assets like land, buildings and production facilities like water attracted most company to invest in Uganda. This is in agreement with Akinkugbe (2016) who contends that multiple levels of governments use location subsidies and the available infrastructure to promote investment.

Study findings further established that fostering investment in plants and machinery by reducing the cost of capital and relocation boosted investments in Uganda. In addition, government's commitment to improve on road, railway and power supply infrastructure helped to promote investments in Uganda. This is in agreement with Lall and Narula (2009) who posited that both economic growth and development depend on improving not just the availability of capital, but also access to technological capabilities, infrastructure and resources in order to attract foreign direct investment in the era of tight competition. However, the study revealed that government support on worker training was not a key factor in most companies' decision to invest in Uganda.

According to study findings, the low cost labor enabled most company to settle and invest in Uganda. In addition, the availability of raw materials for company production was one of the most important aspects they considered when deciding to invest in Uganda. For example, agro-based decided to invest in Uganda because they were able to get a lot of agro-based raw materials from local farmers. This is supported by Parys and James (2010) who contend that the

availability of raw materials greatly has a big influence on a company's decision to invest in a given country due to a steady supply of materials at a reduced cost.

5.3.3 Regulatory Incentives and foreign direct investment

During the study, it was established that a non discriminatory and predictable environment and an absence of unnecessary administrative challenges to business is provided to investors. This is supported by Kwan (2010) who contends that in order to meet the expectations of investors and make sure there is a healthy working environment without many economic changes, host countries need to undertake strategic regulatory steps necessary to attract foreign direct investment. Some of the recommended steps include safeguarding the transparency of the public sector including an impartial system of law and courts, ensuring that the implementation of rules rested on the principle of non discrimination between domestic and foreign companies.

In addition, study findings revealed that stable macroeconomic environment as well as access to engaging in international trade in international trade is ensured for foreign investors. This is in agreement with Cheng et al., (2010) who opines that a macroeconomic environment that is stable and access to engaging in international trade, accessible and sufficient resources as well as the presence of human capital and relevant infrastructure play a key role in the attraction of foreign direct investment. It was further found that transparency of public sector as well as an impartial system of courts and enforcement of law is encouraging and that adequate frameworks for a healthy competitive environment is ensured. This is supported by Massoud (2013) who asserted that provision of the right of free transfer related to an investment as well as protection against arbitrary expropriation, establishing adequate frameworks for a healthy competitive environment

in the local business sector and removing hindrances to international trade contribute to increased foreign direct investment.

According to the study, availability of rules and their implementation resting on the principle of non discrimination between domestic and foreign enterprises all in line with international law is encouraging. The rules and regulations are fair and do not discriminate against foreign and domestic enterprises. This encourages foreign investment in the country due to adherence to the international law that promotes foreign investment and international trade. This is further supported by Cheng et al., (2010) who asserted that ensuring that rules and their implementation rested on the non discrimination principle between domestic and foreign enterprises in line with the international law: offering the right to free transfer related to an investment as well as promotion against arbitrary promotes foreign direct investment. Similarly, it was established that the presence of the right of free transfers related to an investment and protection against arbitrary expropriation is assured. In addition, providing political backup (Bilateral investment treaties and investment incentive agreements) is one key factor encouraging investors to invest in Uganda.

5.4 Conclusions

Basing on the discussion and study findings, the researcher drew conclusions in line with specific objectives of the study as indicated below.

5.4.1 Fiscal incentives and foreign direct investment

It was concluded that fiscal tax incentives such as low tax rates, investment allowances play a fundamental role in the attracting foreign direct investment to Uganda. Guarantees by government for funding attract more investment foreign direct investment in the country.

5.4.2 Infrastructural incentives and foreign direct investment

It was concluded that provision of investment grants for business infrastructure, investment subsidies on assets such as land and buildings and fostering investment in plants and machinery lead to increased foreign direct investment in Uganda. It was further concluded that Government support on worker training is not a key factor in attracting foreign direct investment to Uganda.

5.4.3 Regulatory incentives and foreign direct investment

It was concluded that non–discriminatory regulatory environment is critical in attracting foreign direct investment in Uganda. In addition, bilateral and regional free trade agreements greatly contribute towards the attraction of foreign direct investment in Uganda.

5.5 Recommendations

In line with the conclusions drawn, the researcher made recommendations through which business incentives can lead to improved foreign direct investment. The recommendations were further made in line with objectives of the study as shown below.

5.5.1 Fiscal incentives and foreign direct investment

The study recommends that Uganda Investment Authority makes a reduction on the corporate tax rate to attract more investors to Uganda in order to increase foreign direct investment and create more job opportunities in the country. This is because investment companies pay lower tax rates and are encouraged to invest extensively which will promote economic growth in terms of revenue earned from exports and increased employment opportunities for Ugandan nationals

5.5.2 Infrastructural incentives and foreign direct investment

The study further recommends that the government should provide more support on worker training in terms of funding workshops, lectures and seminars that enhance skills of Ugandans working on foreign companies that operate in the country. This is because the study established that companies have received limited worker training incentives yet training is a key factor that influences investors' decision.

5.5.3 Regulatory incentives and foreign direct investment

The study recommends that Uganda Investment Authority should promote transparency by providing fair treatment to all foreign investors in Uganda while providing investment incentives and ensure impartial system of courts and law enforcement to provide favorable investment climate for investors. On the other hand, the study recommends that Uganda Investment Authority should put stringent measures to stop the importation of items available in Uganda.

5.6 Area for further study

Further study may be conducted on factors that affect the performance of foreign companies in Uganda

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