

**RELATIONSHIP BETWEEN SAVINGS AND ECONOMIC GROWTH IN UGANDA  
(2000-2015)**

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**A DISSERTATION SUBMITTED TO THE DIRECTORATE OF RESEARCH AND  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE AWARD OF DEGREE OF MASTER OF SCIENCE IN QUANTITATIVE  
ECONOMICS OF  
MAKERERE UNIVERSITY**

**OCTOBER 2018**

## ABSTRACT

The main objective of this study was to establish the relationship between savings and economic growth in Uganda using secondary quarterly data for the period 2000 to 2015 from Uganda Bureau of Statistics. The main approach used was the ordinary least squares to test for the long-run relationship. The error correction model was applied to test for short run relationship and to determine the speed of adjustment between the short-run and the long-run equilibrium and Granger causality test was applied to test for the long-run causal relationship between the variables. The variables that were investigated in this study included economic growth, gross domestic savings, gross capital formation, household final consumption expenditure, gross national expenditure, exports and imports of goods and services.

The empirical results show that previous economic growth and gross domestic savings significantly affect economic growth positively (0.656) and negatively (0.243) at 1 percent level of significance. Conversely the ratios of Household final consumption expenditure, Gross national expenditure, gross capital formation, exports and imports to gross domestic product do not significantly affect economic growth. Results from the short-run model reveal that the Error Correction Term has a correct negative (-0.517) sign which is significant at 5 percent level of significance, implies that in each period, economic growth adjusts between the current level and the long run equilibrium level and regressors bring about convergence in the long run. The Granger-causality tests revealed that savings does not granger-cause economic growth but economic growth positively Granger-cause savings. Thus, there is a unidirectional relationship running from economic growth to savings.

The study recommends that government should consider to enforce policies that enhance income since it plays a major role in increasing savings so as to facilitate economic growth. This can be done through the increase in total factor productivity.