REMITTANCES AND INFLATION IN UGANDA FOR THE PERIOD BETWEEN (2002_2014)

BY

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DECLARATION

I **ABDIRIZAK OSMAN MOHAMED** whose registration number is **BEC/41586/133/DF** do declare that this research proposal has been my original work and it has never been copied or submitted to any institution for any award.

Signature

8/8/2016

Date

APPROVAL

This research report entitled ***remittance and inflation in Uganda (2002_2014)*** has been submitted by ABDIRIZAK OSMAN MOHAMED with my approval as the university supervisor, for the award of a Bachelor of Arts in in Economics at Kampala International University.

Signed .... Date 08/08/2016

(Supervisor)

DEDICATION

This work is dedicated to my valuable, honored, sacrificed and hearty mother HAWA MOHAMED ISMAIL and my respected elder sister FAHMO OSMAN MOHAMED and all my brothers and sisters and all my relatives for their financial and moral support and the encouragement they gave me during my study.

ACKNOWLEDGMENT

All praise be to Allah who enabled me to complete this task on time and may His peace and blessings be upon the Prophet MOHAMED (peace be upon him).

A number of people have been instrumental in my effort to complete this research dissertation. I wish to extend my appreciation and special thanks to my supervisor, MRS SAUDA NAKIBUULE , for her professional guidance and tireless effort with which she supervised me leading to the completion of this research dissertation.

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Also special thanks to my mother HAWA MOHAMED ISMAIL who is my life model for inspiration, direction and motivation , she is the school of my live there is quotation says 'the mother is school who prepares inspired and deeply good people'

I would like to sincerely thank my friends MOHAMED BAHIIR MOHAMED,ABDISAMED MOHMED FARAH,MOHAMED NOOR AHMED,AABI AADAN AHMED,ABDIFATAH SAID AHMED, AAMINO SAID HOTO for their tireless effort and support friendship for finishing my report, I do thanks all of you.

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LIST OF ABBREVIATIONS

BOP	Balance of Payments
BOU	Bank of Uganda
FEA	Foreign Exchange Act
GDP	Gross Domestic Product
GEP	Global Economic Prospects
MFI	Micro Finance Institution
MTO	Money Transfer Operator
NGO	Non-Governmental Organization
PPS	Probability-Proportional-to-Size
PSU	Primary Sampling Unit
SACCO	Savings and Credit Co-operative
UBOS	Uganda Bureau of Statistics
UNHS	Uganda National Household Survey
AGOA	African Growth and Opportunities Act
AU	African Union
COMESA	Common Market for Eastern and SouthernAfrica
EAC	East African Community
IOM	International Organization for Migration

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ABSTRACT

This research report set out to investigate the relationship between remittance and inflation Uganda (2002-2014). Its objectives were; to establish the trend of remittance in Uganda (2002-2014), to establish the trend inflation in Uganda (2004-2014), to investigate the relationship between Remittance and inflation

Workers' remittance inflows have been rising significantly over the past decade for Uganda. They have become one of the most stable sources of foreign exchange earnings and emerged as a crucial issue for monetary and fiscal policy, hence understanding the impact of Remittances on the macroeconomic variables such as inflation is essential for the policy makers of the recipient economy.

Remittance is an important demand side variable of inflation and is expected to affect inflation from the perspectives of exchange rates, money supply and balance of payments.

Workers' remittance inflows have a spending effect in the recipient economies. At the micro level remittances directly lead to an increase in household income which in turn raises their demand for goods and services. This excess demand brings inflationary pressure to the economy and triggers nontradable price level. In the study there is a positive correlation betweenremittance and inflation as can be seen from r_value correlation coefficient since it is a positive value (0.774)

The coefficient of determination (R2) shows that remittance can explain 65% of the variation in inflation in Uganda which also emphasize that there is a strong positive correlation between the two variables.

CHAPTER ONE
THE PROBLEM AND ITS STUDY

1.0Introduction

This chapter consists of the background, problem statement, purpose, objectives, research questions, hypotheses, scope and significance of the study. It provides the basic framework behind the intent and pertinent historical issues associated with remittance and inflation in Uganda for the selected period.

1.1Background of the study

Remittances are not a new phenomenon in the world, being a normal concomitant to migration which has been a part of human history. Several European countries, for example Spain, Italy and Ireland were heavily dependent on remittance received from their emigrants during the 19th and 20th centuries. In the case of Spain, remittances amounted to the 21% of all of its current account income in 1946. All of those countries created policies on remittances development after significant research efforts in the field. For instance Italy was the first country in the world to enact a law to protect remittances in 1901 while Spain was the first country to sign an international treaty {with Argentina in 1960} to lower the cost of the remittances received since 2000" remittances have increased sharply worldwide having almost tripled to &529 billion in 2012 in 2012 migrants from India and china alone sent more than &130 billion to their home countries {world bank 2009}

In African, remittances to Africa play an important role to national economies but little dada exists as many rely on informal channels to send money home . today 's African Diaspora consists of approximately 2o to 3o million Adults, who send about USD 40billon annually to their families and local communities back home for the region as a whole ,this represents' 50 percent more then not official development assistance (ODA) from all sources And for most countries the amounts also exceeds foreign direct investment (FDI) in several fragile states remittances are estimated to exceed 50 percent of GDP MOST Africa countries restrict the payment of remittances to banks which in turn typically enter into excusive arrangements with large money transfer companies like western union or money gram to operate on their behalf.

In Uganda, the Remittances from Ugandans working abroad, locally called kyeyo, have grown by about 14% annually in the past 10 years, according to a new report by the UN Conference on Trade and Development (UNCTAD). According to the Least Developed Countries (LDCs) Report 2012, Uganda's percentage growth in remittances surpassed that of most countries like Mauritania, Comoros, Yemen, Malawi, and Angola.

Uganda also performed better than Liberia, Zambia, Lesotho, Burkina Faso, and Tanzania, among other countries. Launched at the Economic Policy Research Centre (EPRC) in Makerere , the report revealed that Uganda is the main source of Rwanda's remittances. Bank of Uganda estimates show that from 2000 to 2007, remittances averaged $341.2m (about sh893b) per annum, almost equivalent to foreign direct investments that averaged $345.5m (about sh904b) during the same period.

Despite the recent global economic slump remittances or kyeyo money has increased from $694m (sh1.56 trillion) in 2008 to about $773m (sh1.9 trillion) in 2009 and almost sh3trillion in 2010. The UNCTAD report shows that remittances accounted for about 6% of Uganda's Gross Domestic Product (GDP) between 2008 and 2010. The percentage has since increased to 25%.

According to the report, almost half of the international remitting emigrants are high-skilled, accounting for two-thirds of total remittance flows to the country. With 100% annual growth in remittances, Burundi leads the list, followed by Sierra Leon and Guinea. Burundi gets most of its remittances from Tanzania ($8m in 2010) and Uganda ($5m) followed by Belgium ($3m). Rwandans living in Uganda send about $25m back home every year, making Uganda the main source of Rwanda's remittances.

On the other hand, Uganda gets most of its remittances inflows from Kenya ($326m), United Kingdom ($176m) and US ($87.4m). The three countries provide 76% of Uganda's total earnings from remittances, according to the report.

The report shows that the share of international remittance income spent on health and education in Uganda ranged between 10 to 32 per cent.

"Accordingly, remittances are typically found to improve health and education outcomes, even though the absence of a migrant family member may to some extent erode part of these benefits." In the last decade, remittances have been central to the economy, having surpassed coffee, which only fetched $348m in 2008, as a foreign exchange earner.

According to a survey by Bank of Uganda and the Uganda Bureau of Statistics, Uganda received $910 million in remittances in 2012, 12% higher than the 2011's $813 million.

The $910 million received in transfers from abroad was 4.3% of Uganda's 2012 GDP:

- 43.1% of remitters were based in Africa, 25.9% Europe, and 20.6% North America.
- The dollars sent by region closely matched the proportion of remitters by region, with Africa (44.1%) leading the group, Europe (25.9%) and North America (22.5%) coming in at a distant second and third, and Australasia (2.9%), Middle East (5.3%) lagging the group.
- 35.1% was sent by a brother/sister abroad, 16.5% by a parent, 11.6% spouse, 8.3% daughter/son, 6.4% friend, and 22.0% other.
- Over the last 7 years remittances to Uganda have accounted for on average 4.2% GDP.

  The UNCTAD report also shows that remittances have surpassed foreign direct investments (FDI) in Uganda. However, discussing the report at EPRC yesterday, economists expressed mixed feelings about the high rate of brain drain in the country, albeit with increased remittances. They also decried the 'high and prohibitive' cost of formal remitting in LDCs which is close to 12% of the total amount being remitted compared to the global average of 9%.

For remitters sending from the UK to Uganda, the average cost is lower than from Tanzania, at 8% and 12% respectively. This has forced many remitters to send their money through informal avenues which experts say is detrimental to the economy. UNDP's senior economist Alex Warren Rodriguez urged the Government to encourage the public to put the money from remittances to better use to spur the country's development.

The Twentieth century also produced more inflation than any other century in history. Inflation is nothing which is new. Roman rulers produced inflation in Third Century Rome by debasing their coins, China suffered inflation in the fourteenth century when the Emperors replaced coins with paper money, Europe and the rest of the world suffered inflation when gold and silver started flowing into the Old World from the

New World in the sixteenth century, and the French and American Revolutions destroyed currencies in each of those countries.

Nevertheless, as we shall see, the Twentieth century produced the worst inflation in human history. Every single country in the world suffered worse inflation in the Twentieth century than in any century in history. So what caused this inflation to occur, and is further inflation in the Twenty-first century inevitable?

Most African colonies had Currency Boards until the 1960s that limited inflation by tying their currency to European currencies. The French West African countries that still tie their currency to the French Franc have suffered significantly less inflation than the countries that have chosen independent monetary policies. Congo's inflation occurred under the despotic Mobutu, and Angola's inflation occurred almost exclusively during the 1990s.As the monetary dictum goes, inflation is everywhere a monetary phenomenon. This rule is especially true in these cases. Each one of these countries listed here was unable and/or unwilling to pay for government expenditures through raising taxes. Each chose to print money, through excessive issues of currency or open market operations, increasing the money supply and causing inflation. Over time, this action became a self-defeating measure as the inflation reduced real government receipts making the deficit even larger until the economy collapsed into hyperinflation.

Inflation in Uganda Recently East Africa has experienced a period of increasing inflation attributed to both domestic and external factors. Particularly in Uganda, the IMF (2011) points to three principal causes of rise in inflation, namely, higher food and fuel prices, supported by accommodative monetary policy. Rise in food prices is a result of supply and demand constraints coupled with an increase in world food prices. Inflation in Uganda plummets in September of 2009 as a result of the recent financial crisis, following a sharp decrease in food inflation. A year after food price inflation starts rising again after attaining a minimum of -10%. The increase in food price inflation puts an upward pressure on overall inflation, reaching a maximum of 27% in September of 2011. In addition, the region has experienced a period of food shortage due to adverse weather conditions. Hence, the shortage of supply of food causes an increase in domestic price of food. the food price inflation is a major contributor to the basket of an average household, with a weight of 27. Non-food inflation seems subdued in periods preceding the downturn, but it is on increase most recently and lags dynamics in both food price and overall inflation.

As with food prices, the IMF (2011) identifies energy prices, especially fuel price as the second determinant of inflation dynamic in Uganda. According the IMF report recent rise in petrol prices has put pressure in fuel prices in most of African countries, which is subsequently passed on to the consumer, resulting in a general rise in prices. However,. Domestic energy price does not lead inflation in Uganda, on the contrary it lags.

Besides food and fuel prices, the IMF report argues that accommodative monetary policy, in the form of massive monetary expansion, has contributed somewhat to recent surge in inflation. The government responded to a combination decrease in inflation and output gap in September of 2009 with massive quantitative easing and money growth reached a maximum of 36% in November of 2011. As a result the currency depreciated and hence pushing the domestic price up even further. The central bank reacted with a contractionary monetary policy by increasing short-term interest rates by 700 basis points. Eventually, money growth declines steadily into negative, the currency appreciates, and eventually inflation comes down.

Remittance is invested in human capital or in capital goods such as land, houses or agricultural inputs. Human capital is going to be increased by using remittance in health and education expenses that are an important element of development in migrant sending countries (Duranel, 1992).

My own definition is the transfer of money by foreign worker to his or her home country, or simply sending an amount of money from one country to another

Inflation is a persistent increase in the general price level of goods and services in an economy over a period of time. When the general price level rises, each unit of currency buys fewer goods and services. Consequently, inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy a chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index (Mankiw 2002).

My own definition: inflation is a persistent increase in the general price level of goods and services in an economy over a period of time

1:2 Statement of the problem

Recently East Africa has experienced a period of increasing inflation attributed to both domestic and external factors. Particularly in Uganda, the IMF (2011) points to three principal causes of rise in inflation, namely, higher food and fuel prices, supported by accommodative monetary policy. Rise in food prices is a result of supply and demand constraints coupled with an increase in world food prices. The increase in food price inflation puts an upward pressure on overall inflation, reaching a maximum of 27% in September of 2011.

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1:3 Purpose of the study

This study explored the selected Remittance service and inflation and to find out the cause effect relationship of the two variables.

1:4 Specific objectives

1: To determine the level of remittance service in Uganda (2002-2014).

2: To determine the level of inflation in Uganda (2002-2014).

3: To determine if there is significance relationship between remittance and inflation in Uganda(2002-2014).

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1:5 Research questions

1: What is level of Remittance service in Uganda (2002_2014)?

2: What is the level of inflation in Uganda (2002_2014)?

3: Is there a significance relationship between Remittance service and inflation in Uganda?

1:6 Null hypotheses

There is no significance relationship between Remittance service and inflation

1:7 Scope of the study

Geographical scope

The proposed study was carried out in Uganda. Uganda is located in eastern Africa, west of Kenya, south of South Sudan, east of the Democratic Republic of the Congo, and north of Rwanda and Tanzania. It is in the heart of the Great Lakes region, and is surrounded by three of them, Lake Edward, Lake Albert, and Lake Victoria. While much of its border is lakeshore, Uganda is landlocked with no access to the sea.

The country is mostly plateau with a rim of mountains, The climate is tropical and generally rainy with two dry seasons (December to February, June to August).

Content scope

The study examined the level of Remittance in Uganda, the level of inflation in Uganda and the cause effect relationship between the Remittance and inflation.

Time scope

This study considered the operation of the selected Remittance service in Uganda from 2002__ 2014

1:8 Significance of the study

The findings of this research shall be used by government agencies to evaluate the role of Remittance service and inflation and come up with appropriate policies to help regulate the activities of these Remittance service.

The study findings shall be used as reference for future researchers in the area of Remittance and related fields having contributed to operation definition of concept, literature and methodology to guide such future studies

The study will help the clients in understanding whether Remittance services are providing solutions to their low income

The study will help other related central banks to improve on their services so as to enable to reduce inflation.

1:9 Operational definitions of key terms

Inflation is the rate at which the general level of prices for goods and services is rising and consequently, inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy. A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index, usually the consumer price index, over time. The opposite of inflation is deflation.

Remittance is a transfer of money by a foreign worker to an individual in his or her home country money sent home by migrants competes with international aid as one of the largest financial inflows to developing countries, Workers remittance are a significant part of international capital inflows.

In 2014 436$ billion went to developing countries, setting a new record of overall global remittance also totaled 583$ billion

Remittance can help improve the countries development prospect, maintain macroeconomic stability moderate impact of adverse shock and reduce poverty. So the remittances allow families to maintain or increase expenditure on basic assumption housing education and small business formation. Therefore remittance has played important role in reducing poverty in Pakistan (World economic 2005 pub. IMF).

Inflation: The term "inflation" originally referred to increases in the amount of money in circulation, and some economists still use the word in this way.

In economics, inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services Consequently, inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy.

1. **Demand-pull inflation** is caused by increases in aggregate demand due to increased private and government spending, etc. Demand inflation encourages economic growth since the excess demand and favorable market conditions will stimulate investment and expansion.

2. **Cost-push inflation**, also called "supply shock inflation," is caused by a drop in aggregate supply (potential output). This may be due to natural disasters, or increased prices of inputs. For example, a sudden decrease in the supply of oil, leading to increased oil prices, can cause cost-push inflation. Producers for whom oil is a part of their costs could then pass this on to consumers in the form of increased prices. Another example stems from unexpectedly high Insured Losses, either legitimate (catastrophes) or fraudulent (which might be particularly prevalent in times of recession).

3. Wage Push Inflation

Rising wages tend to cause inflation. In effect this is a combination of demand pull and cost push inflation. Rising wages increase cost for firms and so these are passed onto consumers in the form of higher prices. Also rising wages give consumers greater disposable income and therefore cause increased consumption and AD. In the 1970s, trades unions were powerful in the UK. This helped cause rising nominal wages; this was a significant factor in causing inflation.

4. Imported Inflation.

The Depreciation in the exchange rate will make imports more expensive. Therefore, the prices will increase solely due to this exchange rate effect. A depreciation will also make exports more competitive so will increase demand.

CHAPTER TWO

REVIEW OF RELATED LITEATURE

2.0 Introduction

This chapter presents related literature, conceptual review, and theoretical review of the related studies.

2.1 Concepts, Opinions, Ideas from Authors\Experts

2.1.1 Remittance

Remittances typically went to daily and household related expenses, with 60 percent covering immediate household expenses, construction and renovation. Other expenses include education, the purchase of appliances and domestic goods, ritual costs and health care (Cohen 2004).

First that a significant proportion and often the majority of remittances are spend on consumption; Second that a smaller part of remittance funds goes in to savings or investment; Thirdly, the ways in which remittances are typically saved or invested in housing, land and jeweler (Chami 2003)

Remittance is invested in human capital or in capital goods such as land, houses or agricultural inputs. Human capital is going to be increased by using remittance in health and education expenses that are an important element of development in migrant sending countries (Duranel, 1992).

For the most part, remittance are used for daily expenses such as food, clothing and health care basic subsistence needs and they make up a significant portion of the income of those household funds are also spent on building or improving housing, buying land or cattle and buying durable consumer goods such as washing machines and television, Generally only a small percentage of remittances are used for savings and what is termed productive investment|| for e.g. income and employment generating activities such as buying land or tools, starting business and other activities with multiplier effects(Taylor and Russell 1997).

The level and depth of poverty and that migrant household tend to spend remittance income on household and education investment with high welfare pay off .So the 93 billion dollars question is how do we enhance remittance flows and maximize their development impact. There is on obvious answer by reducing cost which are typically between 10-20% of the amount remittance .How to achieve cost reduction is a more difficult question and a basic understanding or cross-border money transfer system is needed even to approach it (Adam 2006).

An alternative view shared by those looking at remittances from a historical-structuralism perspective considers remittances to be responsible for creating dependent relations between the sending and the receiving countries (Weist, 1984 Portes and Borocz 1989). This approach emphasizes macro-economic relations and the structures within which the movement and flow of goods and services occurs on a global scale. Within countries, remittances are seen to generate inequality among households (Adams, 1991) while they also can generate macro-economic stability problems for countries with low GDP (Jones 1998).

Ledesma and Piracha, 2001; Orozco, 2002; Skeldon, 2002; Ratha, 2003). A key focus for functionalist approaches is usually the individual household and local community. Apart from increasing disposable incomes and increasing effective demand for local goods and services, remittances are seen to play a crucial role in developing local level capital markets and productive infrastructure (Ballard Keely and Tran 1989).

In examining the receiving side of remittances, immigrants are more likely to return to their countries after being abroad and given greater financial opportunities and support of their families can improve their living conditions. Evidence suggests that financial intermediation among remittance recipient households have greater effects on their quality of life; the propensity to save and invest in education is higher among remittance recipients and the demand for other financial services is achieved when the supply side responds to the market preferences of recipients.

(Remittances and Economic Development 2003-4)

Remittances play a significant role in the economic development of recipient economy through different micro and macroeconomic channels. However, the adverse impact of remittances in the form of Dutch disease and inflation cannot be over looked.

THE CONTRIBUTION OF REMITTANCES TO DEVELOPMENT

The contribution of remittances to development depends on the uses to which the remittances are put. If the resources are used for conspicuous consumption there is very little contribution to economic development and given the high import content in the consumption pattern of the Caribbean countries, the impact on the balance of payments can be negative. On the other hand if the resources are used for investment and essential consumption to improve the health and productivity of the society, the development of the society may be enhanced. There are several ways in which remittances may contribute to the development of Caribbean economies both directly and indirectly. Some of these are discussed in this section of the paper.

The inflow of remittances can be viewed as an injection into a Keynesian type circular flow of income. Injections into the circular flow increases economic activity by increasing the level of aggregate expenditure, while withdrawals from the circular flow reduce economic activity. Outflows of remittances are withdrawals from the circular flow and hence reduce economic activity. Thus it is the net remittances that measure the effect on the level of real economic activity. Other things equal, positive net remittances increase real economic activity while negative net remittances have the opposite effect. However, economic development goes beyond increases in real economic activity related to injections into the economy. Economic development requires that the economy be transformed to permanently increase its capacity to produce real output. In addition, this should be supplemented by more equitable distribution of income and greater diversification of the economy. This would result in an improvement of the quality of life of the members of the society.

The most direct way in which remittances contribute to economic and social development is the improvement in the living standards of the recipient. As discussed in Section I, the decision to migrate may be conscious choice to improve the income prospects of the household and to reduce risk associated with income instability. To the extent that this decision is successful remittances would improve the living standard of the household enabling a higher level of consumption and increased educational opportunities for the rest of the household.

Remittance

Remittance refers to that money which is sending from emigrant to his family and home in the form of cash or goods that is greatly influenced on their standards of living or may be improved their standards of living. These transfers are known as workers migrant remittances. They have been growing rapidly in past few years and now represent the largest source of foreign income in many developing countries.

Indicators of remittance

1. Cash
2. Drafts
3. in the form of goods
4. Foreign currency

The remittances can be classified into four types including Family Remittances, Community Remittances, Migrant Worker Remittances and Social Worker Remittances.

a) Family Remittances: It refers to remittances that are sent by individual immigrants working in the foreign locations to their family, relatives or friends in their home country. These remittances are sent every month and they assist the families of the migrants to survive. These remittances also help the poor families to fight against the poverty. The family remittances are regarded as the major form of remittances across the world where millions of workers are working hard in distant land away from their home for earning their livelihood.

b) Community Remittances: It refers to the remittance that is sent by individual immigrants generally and also includes the remittance sent by various hometown associations to organizations and communities in their home country. This money has been used for the developmental activities of communities such as in building infrastructure, church, parks, and roads. It also offers health care to the poor. The community remittances are also used for offering health benefits, education; and employment to big communities who need these facilities in the home countries.

C) Migrant worker Remittances – These remittances refers to the cash transfers done by migrant workers for sending the money to the families, friends and relatives back home. The migrant worker remittances make up a large chunk of money inflows into home country by the people who have migrated to foreign locations in the search of money, job or education.

d) Social Remittances – These remittances basically comprise of various ideas, practices, and social capital that make up the backbone of many remittances that flows from workers of one country to another. Thus social remittances assist the traditions and culture of one race or community, to socialize with the cultures and traditions of another community. Social Remittances help in the bonding of people and do not have money associated with them.

2.1.2Inflation

The term inflation referred to the devaluation of the currency, and not to a rise in the price of goods. (Michael F. Bryan 1998)

Inflation is a persistent increase in the general price level of goods and services in an economy over a period of time. When the general price level rises, each unit of currency buys fewer goods and services. Consequently, inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index (Mankiw 2002)

The term "inflation" originally referred to increases in the amount of money in circulation, and some economists still use the word in this way. However, most economists today use the term "inflation" to refer to a rise in the price level, An increase in the money supply may be called monetary inflation, to distinguish it from rising prices, which may also for clarity be called 'price inflation, Economists generally agree that in the long run, inflation is caused by increases in the money supply(federal reserve 2004)

Inflation is defined as a rise in the general price level. In other words, prices of many goods and services such as housing, apparel, food, transportation, and fuel must be increasing in order for inflation to occur in the overall economy. If prices of just a few types of goods or services are rising, there isn't necessarily inflation.

1. Demand-pull inflation occurs when aggregate demand for goods and services in an economy rises more rapidly than an economy's productive capacity. One potential shock to aggregate demand might come from a central bank that rapidly increases the supply of money

2. Cost-push inflation, also called "supply shock inflation," is caused by a drop in aggregate supply (potential output). This may be due to natural disasters, or increased prices of inputs. For example, a sudden decrease in the supply of oil, leading to increased oil prices, can cause cost-push inflation. Producers for whom oil is a part of their costs could then pass this on to consumers in the form of increased prices.

3. Wage Push Inflation

Rising wages tend to cause inflation. In effect this is a combination of demand pull and cost push inflation. Rising wages increase cost for firms and so these are passed onto consumers in the form of higher prices. Also rising wages give consumers greater disposable income and therefore cause increased consumption and AD. In the 1970s, trades unions were powerful in the UK. This helped cause rising nominal wages; this was a significant factor in causing inflation.

4. Imported Inflation.

Depreciation in the exchange rate will make imports more expensive. Therefore, the prices will increase solely due to this exchange rate effect. A depreciation will also make exports more competitive so will increase demand.

2.2 Theoretical perspectives

(Burgess and Vikram 2003) Remittance can have an important impact on the standard of living of households receiving them. Remittance is spent on education, health and other household consumption and thus is invested on human capital. Other private investments by individuals or the family are also impacts of remittance.

Remittances are transfers of money by foreign workers to their home countries. The World Bank official estimates that migrants from developing countries in developed countries sent home more then $223 (billion) to their families in developing countries in 2005.a figure more than twice the level of international remittance. Remittances are playing and increasing large role in economy of many countries. Globally remittances contribute to economic growth and to livelihood of people. Moreover remittance transfer can also promote access to financial services for the senders and recipient (Wikipedia: page568).

International adds to share of countries, which has strong impact on poverty reduction. Adam's analysis of household survey data from Guatemala, shows that domestic and international remittances also reduce the level and depth of poverty. The further observed that migrant households tend to spend remittance income on housing education – investments with a high welfare payoff. (Richard and John, 2005)

Michael F. Bryan (1994) the term "inflation" originally referred to increases in the amount of money in circulation, and some economists still use the word in this way. However, most economists today use the term "inflation" to refer to a rise in the price level. An increase in the money supply may be called monetary inflation, to distinguish it from rising prices, which may also for clarity be called 'price inflation'.

Keynesian economics says: proposes that changes in money supply do not directly affect prices, and that visible inflation is the result of pressures in the economy expressing themselves in prices.

According to Kiley, Michael J. (2008) Core inflation is a measure of inflation for a subset of consumer prices that excludes food and energy prices, which rise and fall more than other prices in the short term. The Federal Reserve Board pays particular attention to the core inflation rate to get a better estimate of long-term future inflation trends overall. Economists generally agree that in the long run, inflation is caused by increases in the money supply Tracy, James D. (1994)

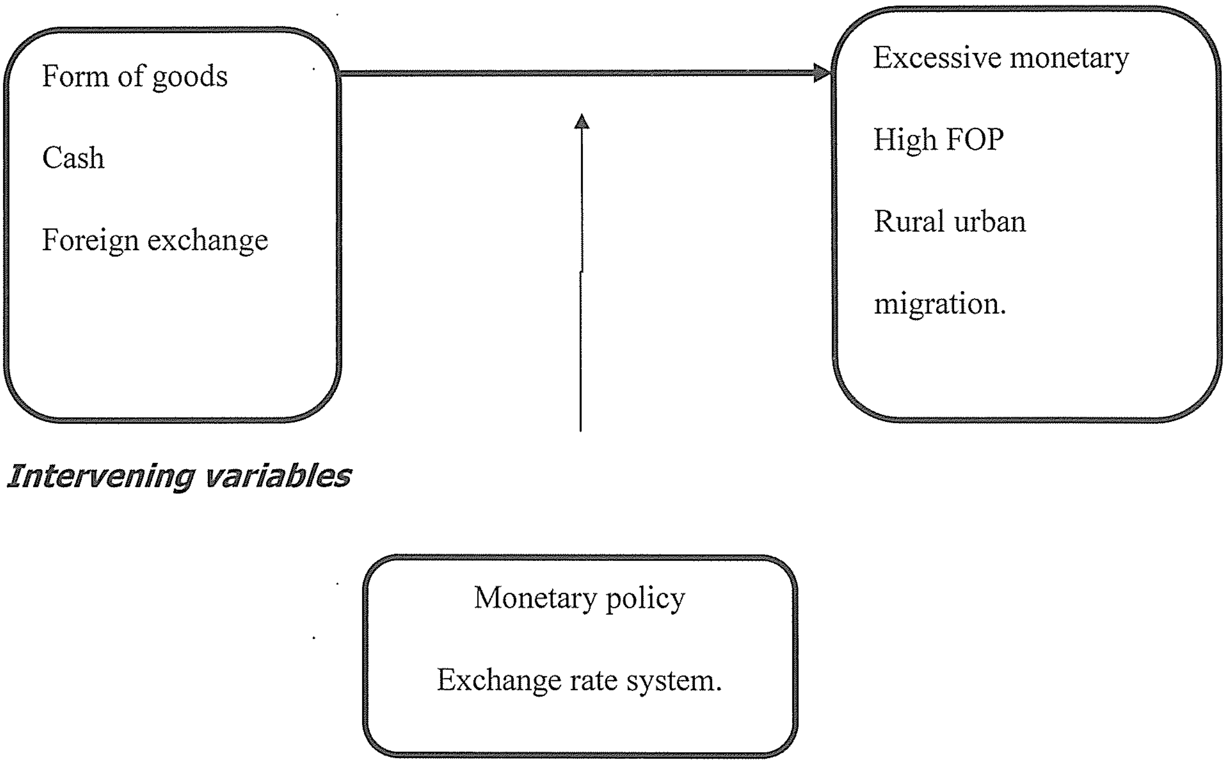
According to Oliver Hossfeld (2010)Low (as opposed to zero or negative) inflation reduces the severity of economic recessions by enabling the labor market to adjust more quickly in a downturn, and reduces the risk that a liquidity trap prevents monetary policy from stabilizing the economy. (Mankiw 2002)The task of keeping the rate of inflation low and stable is usually given to monetary authorities. Generally, these monetary authorities are the central banks that control monetary policy through the setting of interest rates, through open market operations, and through the setting of banking reserve requirements.

Figure 2.2.3: Conceptual Framework

Figure 1

Independent Variable **Dependent Variable**

Remittances **inflation**



As figure 1 above indicates the two variables are 1)independent variable which is Remittance which are received by the households in form of goods or cash, foreign exghange.2)dependent variable which is inflation caused by excessive monetary policy, high factors of production, rural urban migration (Source: Bank of Uganda (2013)

2.3 Related literature

2.3.1The level of remittance in Uganda

Uganda is one of the top ten recipients of remittances in Africa. (Sanjev Gupta et al, 2007). Workers' remittances are the second largest contributor to foreign exchange inflows after exports of goods and services. The Balance of payments reflects a marked increase in flows attributed to migrant workers. Remittances increased from an average of US$ 175.4 million per annum in the first half of the decade 2002 to 2008 to US$ 340.5 million in the last part of the same period. BOP data shows that workers remittances during 2006 rose substantially to US$ 665 million compared to the amount recorded in 2005 (US$ 322.8 million.

Workers Remittances/Donor aid

Although the proportion of remittances to GDP is still small at 5percent (2002-2006), there is improvement from the 2.7percent average recorded for the preceding five-year period. The increase is mainly attributed to the growing number of Ugandans working abroad, freeing of the foreign exchange regulatory regime and improved reporting. During the period between 1996 and 2000, workers remittances were equivalent to about 22.9percent of donor aid (both budget support and project aid). However, during the following five years workers remittances were observed to rise to the equivalent of 42.6percent of total donor aid. In 2006, remittances amounted to an equivalent of about 89.6percent of total donor aid, the highest observed level (Source: Bank of Uganda)

2.3.2 Level of inflation in Uganda

Inflation is a rise in the average price of goods over time. The inflation is based on prices of goods that are commonly consumed by the public. These could be classified under different commodity baskets for example food and non-alcoholic beverages, alcoholic beverages and tobacco, clothing and footwear, housing and household services, health, transport, restaurants and hotels among others. The inflation rate is measured using the Consumer Price Index (CPI) which is the current price of a collection of goods and services in terms of the same period prices in the previous year. (Begg et al. (1994);Begg et al. (2014)).

Uganda's past inflation since the 1980's can be grouped into three main episodes; a high inflation period in the 1980s, a relatively stable period from 1995-2007 and a more volatile moderate inflation episode in the past 7 years. A new government got into power in 1987 and began an economic recovery program that resulted into a reduction in the excess money supply. Macro-economic imbalances were the major drivers of the inflation in the 1990's. This inflation period was characterized by shortages of key consumer goods that resulted into black market sales of goods with government controlled prices (Aron et al., 2015).

Inflation rates are greatly influenced by the political environment. They have been observed to increase every after five years particularly towards presidential campaigns/elections. In the year 2005 before the 2006 general elections, the inflation rate between March and July was 10.0%-10.6%, this was dealt with well by the Bank of Uganda that made sure the inflation rate dropped back to a single digit during and shortly after the elections. Bank of Uganda records also show that inflation was in the range of 10.9% -11.2% for the months from May, 2008 to December, 2009.

Despite the rate dropping to 0.2% in the October of 2010 right before the elections, the rates soared again right after the elections on food and fuel prices in March 2011 during which the inflation rate was recorded at 11.2%, this inflation rate never declined but even rose to higher figures for example 30.5%, 29.0% and 27.0% in the months of October, November and December, respectively (Bariyo, 2011). The inflation rates published by Central Bank of Uganda indicate that from April, 2010 to April, 2011 the inflation rate was a single digit between 5.7%-9.6%.

Aron et al. (2015) suggests that structural changes in the economy make the already existing models for inflation in Uganda outdated. They pointed out models used in past studies like that of Kasekende (1990), Barungi (1997) and Abuka and Wandera (2001) among others which emphasized how inflation rates were influenced by domestic money and foreign factors during the period of economic stabilization.

2.3.3 Remittance – Inflation Relationship

Remittance is an important demand side variable of inflation and is expected to affect inflation from the perspectives of exchange rates, money supply and balance of payments. Workers' remittance inflows have a spending effect in the recipient economies. At the micro level remittances directly lead to an increase in household income which in turn raises their demand for goods and services. This excess demand brings inflationary pressure to the economy and triggers nontradables price level.

The Salter-Swan-Corden-Dornbusch paradigm provides an avenue for understanding the theoretical linkages among remittances, price level and real exchange rate in developing economies the paradigm suggests that an increase in remittance inflows can appreciate the real exchange rate through raising the domestic prices while the extent of the effect on domestic prices depends on the country's exchange rate regime.

Obstfeld and Rogoff (1996) argued that a positive transfer of resources appreciates the real exchange rate of a country and thus hurts its competitiveness in the global market. This implies that resource transfers generate inflation. Rodrik (2007) provides evidence that a rise in remittance inflows leads to an underestimation of long-term economic growth through the overvaluation of the real exchange rate which can potentially cause an inflationary pressure.

This is particularly evident for developing economies where the production of tradable goods suffers from market failures and weak institutions.

Acosta, Mandelman, and Lartey (2007) explained the case of increasing price level when remittance is high by developing a micro-founded dynamic stochastic general equilibrium (DSGE) model the transmission mechanism they suggest is: an increase in remittance inflows raises the household income which in turn causes a fall in the labour supply the shrinking labour supply induces higher wages which leads to higher production costs and further contraction of the tradable sector. Therefore, both the real exchange rate and the ratio of tradable to non-tradable output stimulate high spending and resource movement which can potentially generate an inflationary pressure.

The inflows of large amount of foreign exchange by expatriates in the form of remittances increases the money supply of the recipient economy through the conversion of foreign exchange into domestic currency. If this increase in money supply is not channelized towards productive sectors and capital investment, it can fuel inflation by shifting to consumption expenditure Moreover, remittances can drive up inflation by creating a short run excess demand through raising consumption expenditure which originates from a boost in real wealth, Remittances can also contribute towards foreign reserves accumulation and thus generate a surplus in balance of payment. If the central banks fail to fully sterilize the rise in foreign reserves, it will lead to an increase in monetary base and appreciation of real exchange rate, Thus there will be a rise in the price level.

2.4Related studies

Empirical studies

Khan & Islam (2013) verified how remittances inflows affect the inflation rate in Bangladesh for the 1972-2010 time period by applying vector autoregressive (VAR) techniques. Their empirical results conclude that a 1 percent increase in remittance inflows lead to a rise in inflation by 2.48 percent in the long run, whereas no significant relationship is evident between these two variables in the short-run. The panel studies in this area have used Keynesian type econometric model, generalized method of moments (GMM) and Arellano & Bond (1991) panel dynamic estimator, Arellano &Bover (1995), Blunddell& Bond (1998) system GMM estimator. GMM and instrumental variable approach are used to deal with the potential endogeneity problem in the models.

Glytsos (2002) builds a Keynesian type econometric model for investigating the short and long-run multiplier effects of remittances on consumption, investment, imports and output using data of five Mediterranean countries,Glytsos (2002) reveals that "a uniform country performance of instability and uncertainty, with great temporal and inter-country fluctuations of remittance effects. The findings point to different inter-country priorities of remittance spending and to an asymmetric impact of remittance changes, in the sense that the good done to growth by rising remittances is not as great as the bad done by falling remittances."

Narayan, Narayan & Mishra (2011) modeled the impact of remittances and institutional variables on inflation in both short run and long run using a panel data set of 54 developing countries over the period 1995-2004. Using Arellano & Bond (1991) panel dynamic estimator,

Arellano &Bover (1995), Blunddell& Bond (1998) system GMM estimator, they found that remittances generate inflation in developing countries and the effect is more pronounced in the long run.

Ball, Lopez & Reyes (2013) used a theoretical model and panel vector auto regression techniques to test the same effect using yearly as well as quarterly data for 21 emerging countries. Their theoretical model predicts that remittances temporarily increase domestic money supply and inflation under a fixed exchange rate regime while temporarily generate no change in the money supply, decrease inflation and appreciate the real exchange rate under a flexible exchange rate regime. However, Reinhart and Rogoff (2004) show that, the resulting effect of remittance inflows will be a rising price level and an appreciation of the exchange rate under a flexible exchange rate regime.

Kim & Yang (2008) explored why an increase in capital inflows can increase asset price by using output, price level, capital inflows or portfolio inflows (as a ratio to trend GDP) stock price and land price. By using a VAR model, they found that the capital inflows have actually contributed to the asset price appreciation in the emerging East Asian economies although the capital inflow shocks explain a relatively small part of asset price fluctuations.

Rashid & Husain (2010) examined the effects of capital inflows on domestic price level, monetary expansion and exchange rate volatility in Pakistan for the period 2001-2007. By using linear and nonlinear cointegration and Granger causality tests, they found that there exists a significant inflationary impact of capital inflows. Mukhtar (2012) reexamined Romer's Hypothesis 1 for Pakistan over the period from 1960 to 2007. By using cointegration analysis, he confirmed the existence of Romer's hypothesis in Pakistan. Nazir et al. (2012) checked the impact of capital inflows on Pakistan's domestic inflation from 1980-2010. Using cointegration test and Error Correction Mechanism (ECM), they found that there is a long run and significant relationship among foreign direct investment (FDI), remittances, export

and inflation. Nisar&Tufail (2013) examined the impact of remittances on inflation, food inflation, footwear & textile inflation and housing & construction inflation for Pakistan by using Johansen (1988) and

Johansen &Juselius (1990) cointegration technique over the time period 1970-2010. They found that remittances have positive impact on inflation and its different categories.

Given the above discussions on the related studies, it seems that there is a space of more research to determine the influence of remittances on inflation of Uganda.

CHAPTER THREE
RESEACH METHODOLOGY

3.0 Introduction

The chapter will present research design, research population, sample size, sampling procedures, research instruments, validity and reliability of the instruments, data gathering procedures, data analysis, ethical consideration and expected limitation of the study.

3.1Research Design

The study used a survey design; specifically descriptive correlation and descriptive comparative. The study used a survey since it involve a large sample; descriptive in that data collected will use to describe a phenomenon; data collected from the respondents once and for all to reduce on time and costs involve on such a large population; comparative, in that the study determined whether there will be a significant difference in the level of Remittance and inflation in selected sample families. The study also took a quantitative approach in that it would be based on variables measured with numbers and analyzed with statistical procedures.

3.2Research population

3.2.1 Target population

In this study the target population involved 253 household receive remittances of the selected divisions of Kampala, Uganda. All the categories of respondents will contain in under level of poor will involve because they will directly affect by whatever policy is made on Remittance which in turn affects inflation

Since it was impossible to study the whole of the target population, the study identified a sample of one hundred and fifty six (156) respondents out of the two hundred and fifty (253) households in the Kampala divisions.

The number was arrived at through computation using Slovene's formula as illustrated below

$$n = \frac{N}{1 + Ne^2}$$

Equation 1: Slovene's Formula

$= n = \frac{253}{1+253(0.05)^2}$ = 156.202= **156 respondents**

Where by

n = sample size

N = the population size

e = level of significance, fixed at 0.05

1= a constant

TABLE 1: Population and Sampling Summary

Divisions of the target population	Population size	Sample size
Central division	55	28
Kawempe division	75	40
Lubaga division	32	20
Makindye division	55	40
Nakawa division	36	28
TOTAL	**253**	**156**

Source: Primary Data

3.2.2 Sampling Procedures

The target population was 253 (which included central division 55, Kawempe division 75, Lubaga division 32, Makindye division 55,Nakawa division 36) respondents will be large, a sample of 156 respondents will be use, get using stratified random sampling to reduce costs, time of doing research and to increase the degree of accuracy of the study . Regarding sample size, in the selected Divisions in Kampala will be stratified according to departments in selected remittance in Kampala, Uganda. Then proportionate systematic random samples will be chosen from the respective stratum sampling1 frames or lists (Creswell, 2000)

3.3 Instruments

The researcher used questionnaire to collect data the questionnaires. Specifically, the researcher used close-ended questionnaires. To solicit the necessary information the questionnaire was prepared in liker scale form that gave the respondents multiple choices of answers. The questionnaires were administered by direct hand delivery with clear instructions of how to answer the questions. This is due to the fact that some respondents do not find adequate time for interviews and yet find it suitable to provide information at their own leisure, the researcher hence used questionnaires.

On the other hand, in order to acquire some qualitative data an interview guide was used to collect information from Divisions respondents. This was followed by a Focus Group Discussion (FGD) used on a group of 8 beneficiaries of remittance program in inflation Also on the other hand the researcher used interview guide to interview the respondents in the Divisions.

3.3.1Validity and Reliability of the Instrument

After constructing the questionnaire, the researcher contacted the supervisor and three other experts. Hence, the researcher established the validity of the instrument by the use of expert judgment. This method is hailed by Gay and Alrasian(2003) for being effective for survey tools. To ensure that all questions in the questionnaire will be valid, the questionnaire was given to experts in the research field (e.g. professors and doctors) to judge whether the questions are valid or relevant. The researcher then summarized the judgments of experts and they computed content validity index (CVI). According to Amin (2005) the minimum CVI to declare an instrument valid is 0.7.

Pre-testing for reliability was done by administering the questionnaire to Divisions in selected remittance that did not include in the actual study. Responses of the five divisions were analyzed using the Pearson's linear correlation coefficient (PLCC) and the t-test.

3.4 Data Collection Procedures

Before data gathering

1: An introductory letter will be secure from the collage of higher degree and research to conduct the study after which permission from the remittance authority will be sought to distribute questionnaire to their respondents.

2: The researcher will orient and brief his research assistants on the sampling and data gathering procedures.

3: The questionnaires for actual distribution will be prepared and code accordingly.

4: The non-standardized instrument will be tested for validity and reliability.

During data gathering

The respondents will be requested to answer the questionnaires as objectively as possible and not to leave any option unanswered.

After Data Gathering

The data will be collected, organized and entered into the Statistical Package for Social Sciences (SPSS) for data processing and analysis.

3.5 Data Analysis

Frequencies and percentage distributions will be used to analyze data on the profile on the respondents. Mean and standard deviation will be used to determine the level of Remittance services and inflation. This will help to demonstrate the strength and weakness of the responses on Remittance services and inflation to interpret obtained data, the following numerical values and descriptions will be used:

Mean Range	**Response mode**	**Interpretation**
3.26-4.00	Strongly Agree	Very Good
2.51-3.25	Agree	Good
1.76-2.50	Disagree	Fair
1.00-1.75	Strongly Disagree	Poor

T-test and one way ANOVA will be used to determine if there is a significance difference in the level of Remittance services and level of inflation according to profile characteristics of the respondents. The 0.05 level of significance will be used to determine the significance difference and to accept or reject hypothesis 1 and 2. The Pearson's' correlation coefficient will be used to determine if there is a significance relationship between the level of Remittance and inflation, at 0.05 level of significance and to test the last hypothesis.

3.5.1 Ethical considerations

To ensure utmost confidentiality for the respondents and data provided by them as well as reflect ethics practiced in this study, the following will be doing:

1: All questionnaires will be code to provide anonymity of respondents.

2: The respondents will be requested to sign the informed consent.

3: Authors quoted in this study will be recognized through citations and referencing.

4: Written communication to the authors of the standardized instruments on organization' performance to solicit permission to use the standardized questionnaire.

5: presentations of findings were generalized.

3.6 Limitations of the Study

The researcher claimed an acceptable (0.05 level of significance) 5%

Margin of error in view of the following anticipated threats to validity with relevance to this study:

1: Testing: differences in conditions and time when the data will obtain respondents by different persons on different days at different hours. This was minimized by orienting and briefing the assistants on the sampling techniques and data gathering procedures.

2: Instrumentation: The research instrument on remittance will not be standardized. A validity and reliability test will accomplish to produce a credible research tool.

3: Extraneous variables**:** The researcher will not have control over the extraneous variables such as honesty of the respondents, personal biases and descriptive nature of the design. For untruthfulness where some of the respondents will expect not to say the truth, the researcher will investigate the respondents further to establish the truth when deemed necessary and personal biasness also avoided by the researcher.

4:Attrition**:** The researcher expects loss of respondents over the course of a study, such as retiring, resignation or death but the researcher gave out more questionnaires than the required number to reduce on this study.

CHAPTER FOUR
PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

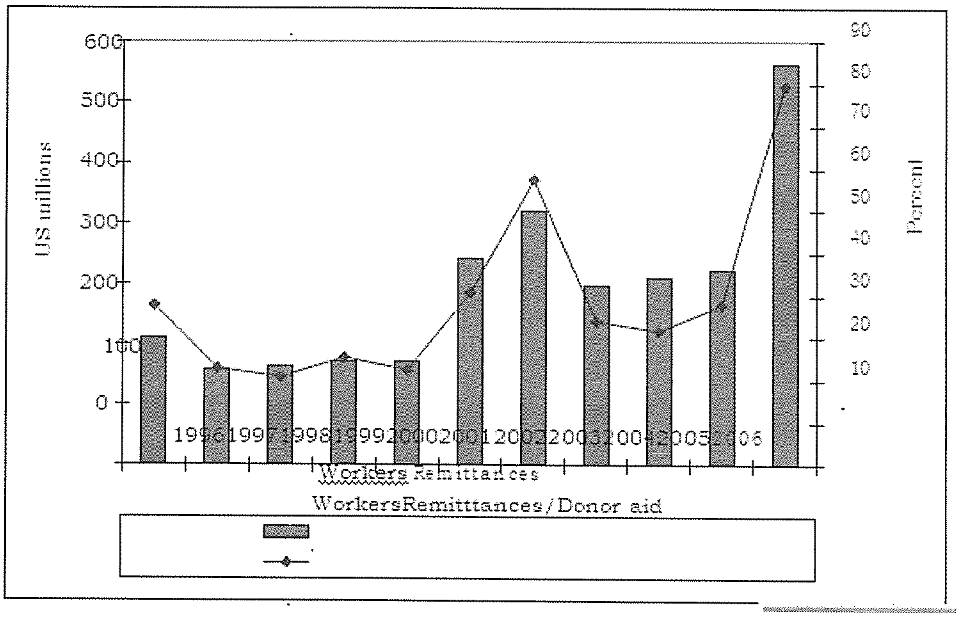
4.1 OVERVIEW

This chapter presents data presentation, and analysis and interpretation according to the specific objectives of the study.The data was collected using instruments like questionnaire, interview guide and documentation, which was highlighted under the researcher's methodology.

4.1.1The trend of Remittances of Uganda (2002-2014)

The first objective was to show the level of remittance in Uganda (2002 to 2014), and the researcher used the line graph as can be seen below.

Figure1. 2: Workers remittances to Uganda, 1996-2006



Source: Bank of Uganda

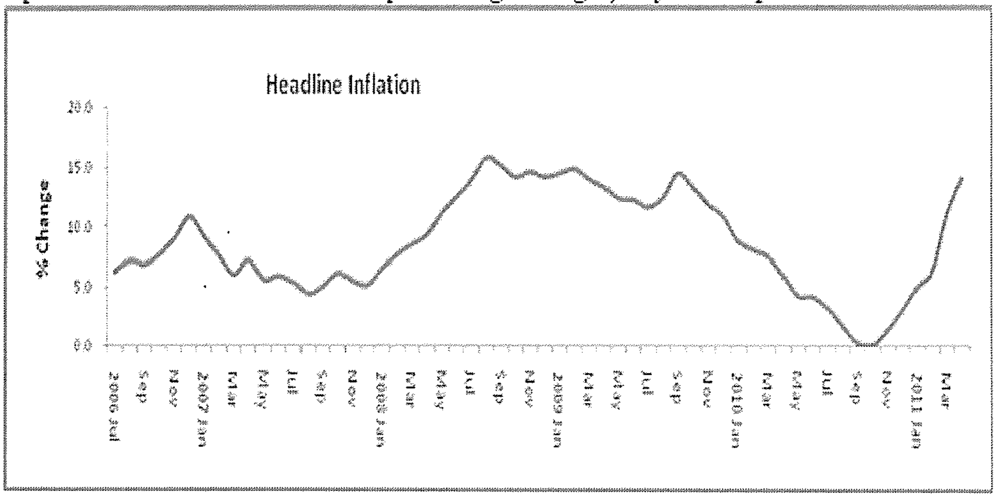
Uganda is one of the top ten recipients of remittances in Africa. (Sanjev Gupta et al, 2007). Workers' remittances are the second largest contributor to foreign exchange inflows after exports of goods and services. The Balance of payments reflects a marked increase in flows attributed to migrant workers. Remittances increased from an average of US$ 175.4 million per annum in the first half of the decade 1996 to 2005 to US$ 340.5 million in the last part of the same period. BOP data shows that workers remittances during 2006 rose substantially to US$ 665 million compared to the amount recorded in 2005 (US$ 322.8 million. (See Figure 2 below) The increase in 2006 may have been a rebound to the earlier trends observed in 2001 and 2002. Overall, with the exception of declines in 1997 and 2003, workers remittances have generally been on the rise over the period 1996 to 2006.

Although the proportion of remittances to GDP is still small at 5percent (2001-2006), there is improvement from the 2.7percent average recorded for the preceding five-year period. The increase is mainly attributed to the growing number of Ugandans working abroad, freeing of the foreign exchange regulatory regime4 and improved reporting. During the period between 1996 and 2000, workers remittances were equivalent to about 22.9percent of donor aid (both budget support and project aid)5. However, during the following five years workers remittances were observed to rise to the equivalent of 42.6percent of total donor aid. In 2006, remittances amounted to an equivalent of about 89.6percent of total donor aid, the highest observed level.

4.1.2 The Trend of inflation in Uganda.

The movements in the Annual Headline inflation rate are shown in Graphs 1.

Graph1:HeadlineInflation-Annualpercentagechanges,July2006-April2011



Source:UgandaBureauofStatistics

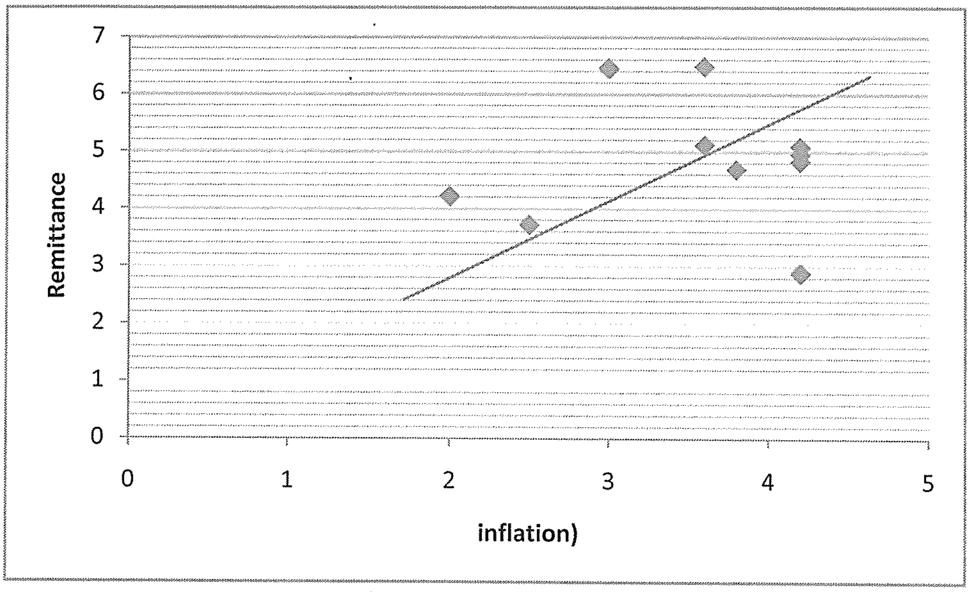
Annual Headline Inflation Trends With the exception of December 2006, the Annual Headline Inflation rates maintained a single digit figure (below 10%) between June 2006 and April 2008. In May 2008, the Headline Inflation rate rose to above 11.2%. The rising trend continued up to February 2009 when the Headline Inflation rate was 14.9%. Note that in between, in August 2008, there was a dramatic rise of Headline Inflation rate to 15.9% (the highest ever Headline inflation since July 2006) before easing to 15.2% in September 2008 and then to 14.2% in October 2008.

The high inflation levels persisted, cascading between 14.7% and 14.1% until March 2009, before falling to 13.4% in April 2009. The declining trend continued, though still in double digits, until January 2010 when Headline inflation rate was recorded at 8.9% and reached the lowest level at 0.2% in October 2010. Subsequent months witnessed rising inflation trend. In November 2010, the Headline inflation rate rose to 1.4% and to 3.1% in December 2010 and kept accelerating to 6.4% in February 2011, and rose sharply to 11.1% in March 2011. The rate for April 2011 was recorded at 14.1%.

4.1.3Relationship between remittance and inflation (2004-2014)

Objective three was to investigate the relationship between remittance and inflation in Uganda, the researcher used scatter plot graph, correlation analysis, regression analysis as can be seen below.

A scatter plot of remittance and inflation in Uganda (2004-2014)



The scatter plot indicates that there is a strong positive relationship between remittance and inflation.

4.1.3 Correlations analysis of remittance and inflation in Uganda

The researcher used Pearson's correlation coefficient to establish the strength of relationship between remittance and inflation in Uganda.

Table 2: Correlation of Remittances and Economic growth(0.05)

Variable correlate	**R^2-value (coefficient of determination)**	**R_value (correation coefficient)**	**Interpretation**	**Decision**
Remittance and Inflation	65.0	0.774	There is significant relationship	reject the null hypothesis

There is a positive correlation between remittance and inflation as can be seen from r-value correlation coefficient since it is a positive value (0.774)

The coefficient of determination (R^2) shows that remittance can explain 65% of the variation in inflation in Uganda which also emphasize that there is a strong positive correlation between the two variables.

CHAPTER FIVE
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter deals with the discussion of the findings which have been adequately presented and analyzed in the previous chapter. Conclusions follow the discussion and then the recommendations and suggested areas for further studies.

5.1 Discussions

5.1.1 The trend of remittance level in Uganda (between 2002 and 2014):

There is general increase of remittance in Uganda for the period between 2002 and 2014

The increase is mainly attributed to the growing number of Ugandans working abroad, freeing of the foreign exchange regulatory regime and improved reporting, globalization and the increase of the Ugandan diaspora.

Workers' remittances are the second largest contributor to foreign exchange inflows after exports of goods and services. The Balance of payments reflects a marked increase in flows attributed to migrant workers.

5.1.2 The trend of inflation level in Uganda (the period between 2002 and 2014):

There is general increase of inflation in Uganda due to Macro-economic imbalances, poor monetary policy, higher imports of foreign goods and services, etc.

Inflation rates are greatly influenced by the political environment. It has been observed that they increase every after five years particularly towards presidential campaigns/elections.

Bank of Uganda records also show that inflation was in the range of 10.9% -11.2% for the months from May, 2008 to December, 2009.

Despite the rate dropping to 0.2% in the October of 2010 right before the elections, the rates soared again right after the elections on food and fuel prices in March 2011 during which the inflation rate was recorded at 11.2%, this inflation rate never declined but even rose to higher figures for example 30.5%, 29.0% and 27.0% in the months of October, November and December, respectively (Bariyo, 2011). The inflation rates published by Central Bank of Uganda indicate that from April, 2010 to April, 2011 the inflation rate was a single digit between 5.7%-9.6%.

5.1.3 The relationship between remittance and inflation:

Remittance is an important demand side variable of inflation and is expected to affect inflation from the perspectives of exchange rates, money supply and balance of payments.

Workers' remittance inflows have a spending effect in the recipient economies. At the micro level remittances directly lead to an increase in household income which in turn raises their demand for goods and services. This excess demand brings inflationary pressure to the economy and triggers non-tradable price level. In the study there is a positive correlation between remittance and inflation as can be seen from R-value correlation coefficient since it is a positive value (0.774)

The coefficient of determination (R^2) shows that remittance can explain 65% of the variation in inflation in Uganda which also emphasize that there is a strong positive correlation between the two variables.

5.2 Summary of the Findings:

Although the finding of the data collected is interpreted and presented in chapter four in relation to the objectives of the study. After analysis the researcher found that remittances have benefits to the households, as follows:

It was discovered that Remittance can help improve the countries development prospect, maintain macroeconomic stability moderate impact of adverse shock and reduce poverty.

Workers' remittance inflows have a spending effect in the recipient economies. At the micro level remittances directly lead to an increase in household income which in turn raises their demand for goods and services.

Workers' remittances are the second largest contributor to foreign exchange inflows after exports of goods and services.

There is general increase of inflation in Uganda due to Macro-economic imbalances, poor monetary policy, higher imports of foreign goods and services.

The World Bank official estimates that migrants from developing countries in developed countries sent home more then $223 (billion) to their families in developing countries in 2005.

The remittances generate inflation in developing countries and the effect is more pronounced in the long run.

5.3 CONCLUSION:

The study has established the trends of both remittance and inflation, and the relationship between Remittance and inflation in Uganda (2002_2014. The researcher found out that unless Remittance is invested in human capital or in capital goods such as land, houses or agricultural inputs in which improve standard of living. So the government make supports to business firms to get stability of balance of payment involved standard of living in the population during this study I get the cause of this problem brings by flow of money which there is no constraint or restriction of that flow of money.

Finally the government must make minimum rate of price of the products and services that is bring suitable to get customer price index and knowing the importance of printing local currency and restrict foreign currency and make fixed exchange.

5.4 RECOMMENDATIONS:

Basing the findings of the study about the Remittance and inflation in Uganda (2002_2014), some recommendation were made on the basis of the findings obtained, so as to help the government to achieve economic stability.

The government should try to do the following

Improve government monetary policy

Restrict capital inflow in for of remittance

To make government to district the foreign currency

To reduce tax by private business sector that will help to minimalize on inflation

Should give subsidies to the business sector to reduce the cost of production so as to minimize on inflation.

5.5 SUGGESTIONS FOR FURTHER RESEARCH:

Further analysis about the research variables (inflation and remittance) needs to be done elsewhere around the world to validate these findings and provide greater confidence in explaining the correlation between remittance and inflation.

A study should also be carried to establish how the remittance can contribute to employment.

Further research should also be carried about the following.

The relationship between Foreign Direct Investment and economic growth.

The relationship between remittance and economic growth.

The relationship between remittance and standard of living (SOL).

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APPENDIX I: TIME FRAME

Activity	MARCH 2016	MAY 2016	JUNE 2016	JULY-AUG 2016
1. Conceptual Phase				
Chapter 1				
2. Design & Planning Phase				
Chapter 2-3				
3. Dissertation Proposal				
4. Empirical Phase				
Data Collection				
5. Analytic Phase				
Chapter 4-5				
6. Final Book Bound				

APPENDIX II: BUDGET

Item	Quantity	Unit Price	Total (UGX)
Ream of Paper (A4)	1	15,000	15,000
Pens	5	500	2,500
Kaki Envelopes	5	500	2,500
Internet Surfing	40 hours	1000	40,000
Communication	10 cards	10,000	100,000
Typing and printing	Lump sum	100,000	100,000
Final Copy binding	5 copies	10,000	50,000
Miscellaneous	Lump sum	50,000	50,000
Grand Total			**360,000**

APPENDIX III: THE RESEARCHER CURRICULUM VITEA

APPENDIXI II: CURRICULAM VITEA

BIODATA

NAME	:	ABDIRIZAK OSMAN MOHAMED
DATE OF BIRTH	:	15/ JAN/ 1990
NATIONALTY	:	SOMALI
SEX	:	MALE
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EDUCATION BACKGROUND

Year	college/school/university	AWARD
1998-2010	ALMUNTADA SCHOOL	SECONDRY CERTIFICATE
2013 JAN-AUG	ACCESS PROGRAMM	MATRICULATION AWARD

WORKING EXPERIENCE

YEAR	EMPLOYEE	POSITION
2011-2012	IMAAMU NAWAWI SCHOOL	PRIMARY TEACHERS

HOPPIES

FOOTBALL

TOURISM

READING

REFEREE

FAHMO OSMAN

SH.MOHEMD ABDIWALI