

**IMPACT OF MARKET DYNAMICS ON HOUSEHOLD
CONSUMPTION EXPENDITURE: A case study at Buguju, Mukono
District**

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J21B34/218

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR'S
DEGREE OF SCIENCE IN ECONOMICS AND STATISTICS OF UGANDA
CHRISTIAN UNIVERSITY**

September, 2023

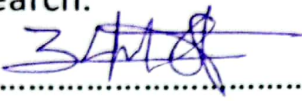


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DECLARATION

I, OKELLO IVAN CHANEX, hereby declare that this dissertation entitled "Impact of market dynamics on household consumption expenditure" is the result of my original work, is not plagiarised and has not been submitted for any other degree at Uganda Christian University or any other institution for any award. Credit has been given to all other writers' works that were used in any part of this research.

Signed: 

Date: 09/09/2023

APPROVAL

This research report titled "Impact of market dynamics on household consumption expenditure" has been submitted by OKELLO IVAN HANEX to the faculty of business and administration in partial fulfilment of the requirements for the award of a Bachelor of Science in Economics and Statistics of Uganda Christian University with my approval as a supervisor.

Name: MR. OPIO PETER

Sign:


Date:


ABSTRACT

Market dynamics has been considered as a major tool of influence on how markets operate in conjunction on how individuals are faced with a challenge on how to make consumption decisions based on their needs. This research is intended to investigate the effect of market dynamics on household consumption expenditure in Mukono district. Several scientific research, as well as some economic theories, advocate a positive relationship between changes in market prices and how consumers allocate their expenditure patterns.

The purpose of this study is to examine the impact of taxes, price volatility and consumption patterns on household expenditure. In order to assess and analyse the impact of this topic, quantitative and qualitative research approach were applied whereby data was collected from the different individuals around Buguju using a questionnaire as they presented their views concerning how they manage changes in prices with the daily business operations and consumption. The explanatory variables of taxes, price changes and consumption patterns were examined using econometric analysis and Ordinary Least Square linear regression.

The study's conclusions showed a positive significant relationship between changes in market price and how much consumers spend on other goods and services as well as a significant relationship between consumption expenditure with a change in taxation. The study recommends continuing to study how market dynamics change during crises (e.g., pandemics, economic recessions) and the subsequent shifts in household consumption behaviours and priorities.

DEDICATION

This research report is dedicated to my dear mother Mrs. Nakwang Rose Phoebe Ochana, and my beloved brothers and sisters together with friends for the courageous effort, support, love, care and tireless work they have done for my success. May the Almighty God reward them abundantly.

ACKNOWLEDGEMENT

The accomplishment of this dissertation would barely be without the aid and guidance from several individuals and the great institution of Uganda Christian University. Above all, I owe a debt of gratitude to the Heavenly Father for bestowing upon me such a precious life and for orchestrating every aspect of it. I am also grateful to him for providing me the fortitude necessary to complete this assignment. It is not always simple to mention everyone's name and show my gratitude to some of these folks, but the following stands out as deserving of notice: Firstly, I owe a lot of respect and appreciation to my supervisor Mr Opio Peter. I would especially like to thank you for your regular advice, insightful remarks, assistance with the report's organization, and helpful criticism throughout this study. I would also love to express my endless gratitude to Mr. Mukisa Simon Peter and Mr. Sebagala Richard for supporting me in data interpretation and analysis and other lecturers of UCU School of Business: Mr. Aleko Godfrey, Mr. Kavuma Steven, Dr. Sanday Amos, Ms. Kirabo Martha, Mr. Mubiru Richard, Mr. Mukiibi Paul, Mrs. Owomugisha Evelyn, Mr. Sezi Amiina and Mrs. Elsie Nsiyona and Mr. Opio Peter who excellently gave me theoretical basic knowledge used in my research. Colleagues and friends in class especially Owiny John Jacob, Ssebudde Gordon, Masiko Niwaggaba, Ochaya Cole Timothy, Akicha Mirriam Amooli, Bwire Darius Emma, Kokole Steven Abiaza, Shisha Boniface, Muhammed Ali, Hassan Mahmud, Ntulumu Israel, Shella, Namatende Rachel, Atekit Bellindah Lucy, Atuhaire Anne Marie, Atuhura Patience, Mono Samuel, Kaviri Medi, Kartin Baguma Fredrick, Malagala Alvin and the entire BSES class, for assistance and the shared experiences and knowledge during the entire course period. I am greatly indebted to my family and friends especially Lomongin Peter Pex, Lokuba Gerald, Nakot Patricia Ochana, Ongor Doreen Ochana, mModo Moses Meri, Ayoo Faith Mary, Lokwang Peter Muldo Toolit, Olum Godfrey, Adoch Judith Faith who joined forces with me, helped me, and unselfishly supported me in every manner. Last but not least, my appreciation goes to my mother Mrs. Nakwang Rose Phoebe Ochana for her facilitation during this study.

To all I say God bless you abundantly

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LIST ACRONYMS AND ABBREVIATIONS.

GDP	Gross Domestic Product
H0	Null Hypothesis
H1	Alternative Hypothesis
Ms	Excel Microsoft Excel
Ms	Word Microsoft Word
OLS	Ordinary Least Squares
STATA	Statistics and data
CPR	Changes in prices
IT	Increase in taxes
CP	Consumption patterns

CHAPTER 1

Introduction

The rise in globalization and competition has drastically changed the behavior of consumer expenditure and market dynamics in recent years. The market structure, pricing, wage arrangements, competition, and consumer preferences all have a direct impact on the expenditure decisions of the households. This study explores many factors of, market dynamics and their influence on consumption expenditure by households. It will also examine the pitfalls of the market place dynamics and their consequences on consumer consumption expenditure.

1.1 Background

Market dynamics refer to the changing forces that impact the purchasing and consumption behavior of households. These forces can include changes in consumer preferences, changes in taxes and changes in prices of goods and services. The history of market dynamics is a prerequisite for a deeper understanding of economic trends, Examining the evolution of markets over time which provides up to date insights into the current economy. Most importantly the changes in market dynamics can be traced back to the industrial revolution of the 18th century and these changes are still influencing the composition and nature of the markets.

Initially, production revolved around labor-intensive activities such as the cultivation of agricultural products. as mechanization and industry took hold, production moved to a larger scale process. This encouraged a shift in the market composition to consumer goods as well as a change in the structure of household spending to include a greater proportion of these purchased items . therefore, analyzing patterns in spending and consumption over time can provide an insight into how market dynamics can shape consumer behavior. It is also important to examine the impact of shifts in economic conditions, consumer preferences, and market forces on the spending and purchasing behavior of households in which it may study the short- and long-term effects of inflation, recessions, financial and monetary policy and other economic variables.

1.2 Problem statement

Perhaps most researchers have used particular scientific methods of analyzing and collecting the data resulting from the forces that drive market dynamics in an economic system, but to some extent they have ignored other ways in which that data could be analyzed under statistical analysis which potentially could have given different results concerning the causes of market dynamics with its effects and how to assess its impact on the consumption expenditure of individual households in Uganda.

1.3 General objective

Examining the relationship between market dynamics and household consumption expenditure from an incentive perspective with food price volatility as a factor that could play a serious role towards change in consumption expenditure of households in Uganda.

1.4 Specific objectives

- I.** To identify the effect of imposing taxes on consumption expenditure of households
- II.** To examine the impact of price volatility on consumption expenditure by households
- III.** To evaluate the impact of consumption patterns on consumption expenditure by individual households

1.5 Research hypothesis

The study was guided by the following hypothesis stated in their null form

Ho : there is no significant statistical relationship between tax imposition and household consumption spending.

Ho : there is a The level of impact on household consumption expenditure varies across different regions.

Ho : Different types of changes in market dynamics have different levels of impact on household consumption expenditure.

1.6 Scope of the study

This research will focus specifically on how changes in the markets have impacted household consumption expenditure in the developed areas of Uganda particularly Mukono district from the time of covid i.e 2020 to date

1.6.1 Content scope

This research will focus on the changes in the market such as changes in prices of commodities, changing preferences of the consumers, change in taxes levied on different business entities, increase in market activities and other macroeconomic issues which have had an impact on the household consumption expenditure.

1.6.2 Geographical scope

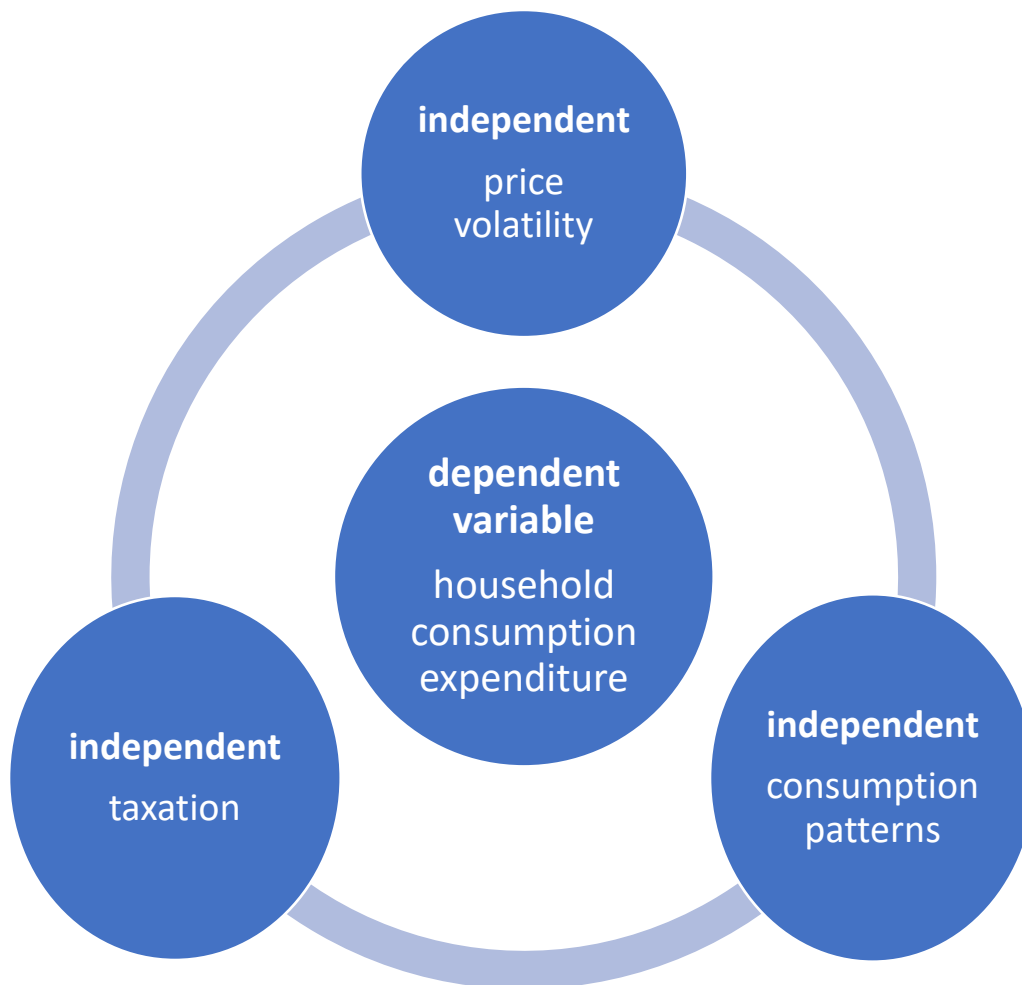
Due to the diversity in the market dynamics, this study will focus on the major developed market in Mukono district and small-scale holders within the area of operation.

1.6.3 Time scope

The study focused on literature related with variables of interest and consumption spending for the last five years (2015-2021)

1.7 Conceptual framework

The conceptual framework of the study includes factors influencing food price volatility, the impact of food price volatility on consumption by households, and strategies adopted by households to cope with food price volatility.



1.8 Justification of the study

This study seeks to explore the impact of market dynamics on consumption expenditure by households in Uganda. Understanding the impact of market dynamics on household consumption expenditure can help policy makers develop effective strategies and refine economic policies which can help to ensure that households have increased purchasing power and are able to spend wisely. It will also enable consumers to become better informed about how to make purchases which ensure maximum returns within their budgetary constraints.

The results from this study can also further be utilized to solve other problems concerning changes in the market operations and its impact on the economy as a whole.

1.9 Significance of the study

From the past years of covid 19, it has witnessed a plethora of changes including technological advancements, changes in economic policies, and increase in competition which have all had potential impacts on the market dynamics. Therefore, it is of paramount importance to examine the impacts of these changes on household consumption expenditure.

Chapter2 LITERATURE REVIEW

The purpose of this chapter, in the context of this research, is to establish important theories that help us talk in-depth about the connection between market dynamics and household consumption expenditure. This chapter also emphasizes, both conceptually and empirically, previous empirical research that was conducted to evaluate the effects of changes in market systems with the expenditure of consumers. It's crucial to comprehend some theories in order to analyse how market trends have impacted Uganda's economic growth and the household patterns.

1.1 Theoretical review

Consumption, on the other hand, may be viewed as the total demand for all consumer goods and services. While Tim (1996) conceptualises it as the total quantity of goods and services that people in the economy wish to purchase for the purpose of immediate consumption, Anyanwu (1995) sees consumption as the spending by households on goods and services such as clothing, food items, entertainment, health services and acquisition of assets among others. Arising from this definition is the concept of consumption function which shows the relationship between consumption and disposable income. In this regard, Fazoranti (2009) links the term “consumption” to the Lord Maynard Keynes’ psychological law which says that men are disposed as a rule and on the average, to increase consumption as income increases but not by as much as the increase in their income.

Following from this are investigations into determinants of consumption behaviour. Ajakiaye (2002), Colander (2001), Jhinhjan (2003), and Iyoha (2001) have identified interest rate, relative prices, capital gains, value added tax, wealth, liquid assets, attitude and expectation and availability of consumer credit among others as determinants of consumption expenditure. Consumption therefore is a major component of aggregate demand. A little disturbance in this component will have a far-reaching effect on the nation’s aggregate demand.

2.2 Empirical Literature review

2.2.1 Price volatility

According to mcfadden (1999), these arguments add to the complexity of understanding process outcomes. In the context of the present study consumers’ expenditures are viewed as the outcome of an allocation problem.

This view is based on the assumption that consumers are faced with alternative providers of goods and thus they have to decide upon how much money to spend, if any, at a specific provider. According to Baumol (1982), an allocation problem refers to an individual who has to decide upon the outcome that he/she would like to receive among a set of available outcomes. A person's decision is affected by his/her perceptions over the fairness underlying the alternative outcomes they are faced with (Baumol, 1982). This suggests that individuals form perceptions of fairness over their transactions with the different providers as the actions of these providers affect the level of satisfaction that they receive. Following these an observed outcome, that is an observed level of expenditures at a given retail store, is a function of the consumers' internal evaluation process. According to that process alternative outcomes are hierarchically evaluated according to the value they offer to individuals.

That study shows that a growth in global oil prices is linked to a fall in household consumption. Further, the impact of oil prices on consumption was greater prior to the mid-1990s compared to today. Household final consumption expenditure is typically the biggest element of GDP. Roughly 50% of all GDP in Sweden for the last five decades has been connected to consumption (World Bank, 2014). (Hamilton, 2009) states that shocks in oil price might be considered principally as shocks in demand. Given real income, households (consumers) dealing with greater energy prices may find it necessary to cut their expenditure on products and services rather than energy (Gao, Kim & Saba, 2014). Through compressing oil shocks into a standard macroeconomic model of consumption theory, the response of consumption to the alterations in the global oil price is identified. Empirical findings show that oil shocks do have an effect on consumption and asymmetrical impacts appear (Zhang & Broadstock, 2014).

2.2.2 Consumption patterns of consumers

Tastes and preferences have a significant impact on expenditure patterns. Changes in tastes can lead to shifts in the share of expenditure on different categories of goods, even when prices and income remain constant. Traditional economic analysis focuses on the role of prices and income in determining consumption patterns, but there is growing recognition that tastes and preferences also play a crucial role. Empirical studies have shown that

unobservable heterogeneity in household demands, such as taste, is correlated with total expenditure. Consumer preferences and tastes are key factors affecting purchase decisions, including for horticultural products. Intertemporal preference shifts, which reflect changes in consumer tastes over time, have important implications for price index theory and the measurement of inflation. Overall, understanding the relationship between tastes and preferences and expenditure is essential for analysing consumer behaviour and making accurate economic predictions.

2.2.3 Imposing Taxes

Research on household responses to income tax refunds points to a similar conclusion. An income tax refund is the epitome of a fully anticipated tax cut since its amount is known in advance of receipt. Theory suggests that forward-looking consumers will not wait for the arrival of a refund check before increasing spending. However, a recent study finds that households do not boost their spending until about the time that income tax refunds are received (Souleles 1999).

Most economists believe that consumer spending decisions follow the broad criteria set out in the life cycle and permanent income theories—two closely related hypotheses that, in the remainder of this article, are treated as a single theory.¹ This theory holds that consumers wish to maintain a smooth flow, or “growth path,” of spending over their lifetimes. Thus, consumers will be reluctant to increase or reduce spending in response to a change in income unless they believe that the income change will persist. The shorthand formulation of this idea is that spending responds to changes in “permanent” income. Applying this theory to tax changes, we conclude that consumers will be more likely to alter their spending behaviour if they perceive a tax change to be lasting. For instance, a reduction in income tax rates or increase in personal exemptions that is placed permanently in the tax code should have a larger effect on consumer spending (per dollar of tax revenue lost) than a temporary rate reduction or increase in exemptions.

The reason of the lag according to the Duesenberry's theory is that the consumer is worried more for his/her consumption in comparison with the consumption of the others rather than the absolute level of his/her own consumption. Moreover, according to the mentioned theory, the current consumption is not only influenced by the current levels of absolute income and comparative income, but also by the levels of consumption of the previous eras. Therefore, in

the first year, VAT failed to have any significant effects on the consumption but in the subsequent year, the consumer reduced his/her consumption under the impact of VAT. It needs to be asserted the average personal income tax rate could exert a significant negative impact on saving; on the other hand, the consumption tax rate exerted an insignificant impact. The empirical results have also substantiated that shifting income taxes to consumption taxes would promote saving (Zheng 2007).

However, Randall (2010) argued that there are number of variables influencing price changes, and therefore it is difficult to empirically assess the effect of VAT on prices. He further explained that the net effect of VAT would be nil if it is an equal-yield tax. Hence, there would not be any effect on the overall price change although there may be changes in relative price. From the foregoing, it is important to note here that what affects prices, will affect demand and supply, and consequentially affect consumption. Since VAT rate is an added cost to the consumer, we can imply that the consumption will reduce, hence the intended revenue accruing from the consumption of such goods and services will also reduce. Methodology This study adopted ex-post facto research design to investigate the effects of value added tax on consumption expenditure pattern in Nigeria. This is premised on the presumed suitability of the design to show the effect of the predictor variables on each of the response variables.

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

In the following sections, we detail the steps taken to gather and analyse data, interpret results, and draw conclusions that will shed light on the complex relationship between market dynamics and household consumption patterns. Through this comprehensive research methodology, we endeavour to contribute valuable insights to the field of consumer economics and offer a clearer understanding of the ever-evolving landscape of household spending behaviour.

As we embark on this methodological journey, it is our hope that the findings of this study will not only expand theoretical knowledge but also offer practical implications for policymakers, businesses, and individuals seeking to navigate the dynamic terrain of contemporary consumer markets.

3.2 Research Design.

The study adopted descriptive research design but crosssectional in nature was used to obtain information describe the characteristics of the household population being studied in mukono district in response to how their consumption expenditure varies with the various market dynamics. As it as applied where data is collected from the respondents at one point in time. The research design refers to the overall strategy developed to combine the numerous study components in a coherent and logical manner, ensuring that it would successfully address the research problem. It is the underlying plan for data collection, measurement, and analysis. It is crucial to keep in mind that the study's design choice is based on the research problem. This design focuses more on what of the research subject rather than the why of the research subject (Babbie, 1990).

3.3 Study population

The population for this study was about 70 respondents, which will include customers of market commodities, scholars and employees of Uganda Christian University based in Mukono district, Kampala city. Population of the study comprised of a huge number of households therefore getting all of them

to participate in this study is not possible as a result sampling was inevitable. This resulted into adopting sampling techniques to select items for the sample.

Area of Study

The study was carried out in Buguju, Mukono district. The rationale behind this choice is from the sense that Kampala is a metropolitan city where all necessary offices, relevant institutions in the country are situated and their operations are based in the other mentioned regions. Hence, there is a possibility of obtaining all necessary and relevant data concerning market operations from these offices.

3.4 Sampling Techniques

Convenience sampling was used to select customers who came to the market to purchase commodities vending stations to buy electricity. Random sampling method was used to select scholars and university staff from their different households on their consumption expenditure.

3.5 Sample size determination

The sample size is determined using the Yamane (1967) formula stated as;

$$N = \frac{N}{1 + N(e)^2}$$

Whereby;

N = Study population

n = Sample population

$$e = \frac{60}{1 + 60 \cdot (0.05)^2} \quad \begin{array}{l} \text{margin of error} \\ \text{confidence level} = 0.05 \end{array}$$

$$n = \frac{60}{1 + 60 \cdot (0.0025)}$$

$$n = \frac{60}{1 + 0.175}$$

$$n = \frac{60}{1.175}$$

n =

n = 52.174

Therefore, n = 52

Category	N	Sample distribution	size n	Sampling technique
Customers	20	$\frac{20}{60} * 52$	17.333	Convenience sampling
Scholars	30	$\frac{30}{60} * 52$	26	Random sampling
Staff	20	$\frac{20}{60} * 52$	17.333	Random sampling

3.6 Data sources

Both primary and secondary data was used in this study. Primary data was obtained from the field whereas secondary data was from statistical reports and database of the district. Primary data for this study was collected from Mukono district where of 30 university scholars and 20 university staff were selected randomly in the area.

In this study, secondary data involved intensive literature review on the similar study undertaken by different authors. The statistical data and qualitative information, published reports from planning unit in Mukono district will also be used.

3.7 Data Collection instruments

In this study, questionnaires and interviews are used as a way of data collection.

3.7.1 Questionnaire

Basing on the nature of the study, the questionnaires were used for both customers and university scholars with the university staff members of Uganda Christian University to get information which was used in the analytical part of the study. This helped to get an in-depth understanding on the real extent of

the impact of market dynamics on the consumption expenditure of individual households

3.7.2 Interview

Both structured and unstructured questions, interview was used because they are quite flexible, adaptable and as it made it easy for me to visualize and to get more insight on the topic. It was used to find views of how individual households were coping up with the consistent food price volatility in the market and how they would base their decisions on how much to consume of a commodity and the cost associated with it. It also helped me discover how the different suppliers of commodities in the market react to the increase and decrease of taxes levied to them since the market forces of demand and supply are not currently in equilibrium in Mukono district.

3.8 Data quality control

Market dynamics can have a significant impact on the consumption expenditure of households. When assessing the impact of market dynamics on consumption expenditure, it is important to consider the specific characteristics of each household, including its income level and composition, preferences for certain goods, and the relative

3.8.1 Test of reliability

One of the commonly used methods was the test-retest reliability, which involved administering the same measurement instrument or survey to the same group of participants on two different occasions and then comparing the results. This helped to determine the consistency and stability of my measurement over time.

3.8.2 Test of validity

It was crucial to ensure that your measurement instruments accurately measured what they were intended to measure. Given the complexity of my research topic, a combination of content validity and construct validity methods were appropriately used. Since you are studying the impact of market dynamics on household consumption expenditure, it's essential to have a set of questions that adequately capture various dimensions of both market dynamics and household consumption.

3.9 Data analysis plan

Data collected from different sources was processed and analysed for discussion. Appropriate computer software was used to analyse data especially Excel computer software were employed to analyse descriptive statistics to see the extent of the impact of market dynamics on household consumption expenditure with STATA package.

3.9.1 Quantitative data analysis plan

Different hypotheses were formulated based on the research question and expected relationships. I also used appropriate statistical tests (e.g., t-tests, ANOVA) to test hypotheses about differences in consumption expenditure across different levels of market dynamics. Multiple regression analyses were performed to assess the impact of market dynamics on household consumption expenditure.

3.9.2 Qualitative data analysis plan

qualitative data was collected through methods such as questionnaires which consisted of open-ended surveys. I immensely collected data to gain a deep understanding of the content through reading and re-reading transcripts to become familiar with participants' perspectives and experiences.

3.10 Model specification

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + U_t$$

Where;

Y = the dependent variable which explains how households respond by their consumption expenditure resulting from market dynamics.

B_0 = how household expenditure relates to the market without changes in market systems (constant)

B_1X_1 = this represents the coefficient under which price volatility affects consumption expenditure of individuals

B_2X_2 = this represents the coefficient under which taxation impacts on the consumption expenditure of households

B_3X_3 = this represents the coefficient under which consumption patterns impact on the consumption expenditure of households

U_t = Error term (residual)

3.11 Model fit

The research relied on the use of the simple linear regression model whereby the R-squared was used to measure the proportion of the variance in the dependent variable (household consumption expenditure) that is explained by the independent variables (market dynamics). Adjusted R-squared accounted for the number of predictors in the model and penalizes for overfitting which helped to evaluate whether adding more variables improves model fit.

3.12 Ethical consideration

The current study was subject to certain ethical issues. At a point in time, sample members were asked to sign a debriefing and withdrawal letter. The aim of both letters was to reassure participants that their participation in the research is voluntary and that they were free to withdraw from it at any point and for any reason.

Next to this, participants were fully informed regarding the objectives of the study, while they were reassured that their answers were treated as confidential and used only for academic purposes and only for the purposes of the particular research. Except from the above, participants were not harmed or abused, both physically and psychologically, during the conduction of the research. In contrast, the research study attempted to create and maintain a climate of comfort.

CHAPTER 4 PRESENTATION, ANALYSIS AND DISCUSSION OF THE RESULTS

4.0 Introduction

This chapter presents findings from a study conducted in Mukono district on the effect of market dynamics on household consumption expenditure, the analysis is presented in a chronological order of the research questions which were the guiding fabric of the entire research process.

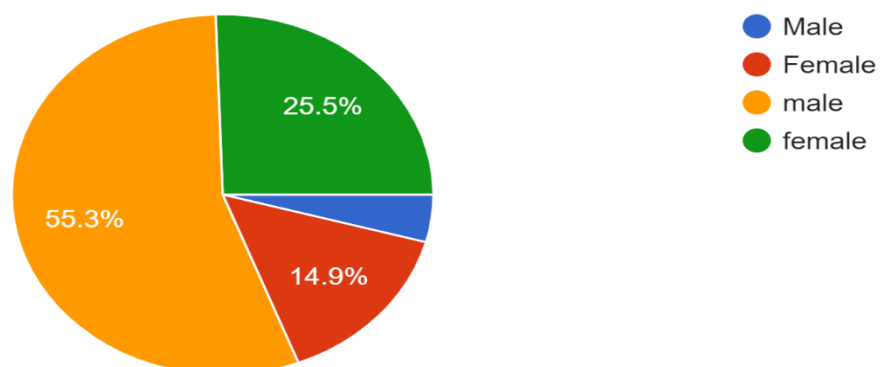
4.1 Finding on background characteristics of the respondents

The study relied on variables like age-which was categorically distributed, sex-defined as either male or female, household size, level of education, level of income, Age and their opinions were important in finding the effect of market dynamics on their consumption expenditure.

Chart 1.

4.1.1 finding on the gender of respondents

Gender
47 responses



It was observed that from the first 24 respondents, 55.3%(16) were male while the rest of the 14.9% (8)were female, later on as the research continued with the collection of data from various respondents, the percentage of males

reduced by 51% summing up to 59.6%(10) while the number of female respondents increased to 25.5% by a 10.6 %(16) increase in the number of females responding to the questionnaires presented to them as per the research study.

. tab Gen educ

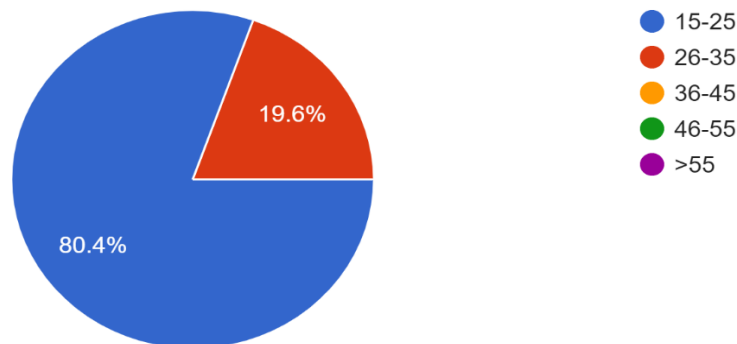
Gen	educ			Total
	col	post	un	
Female	0	2	5	7
Male	1	0	1	2
female	1	1	10	12
male	4	1	21	26
Total	6	4	37	47

Chart

2

Age

46 responses

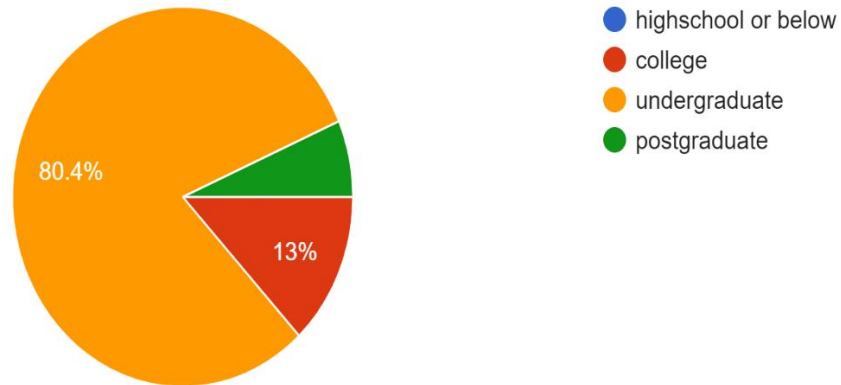


During the data collection, on average it was observed that the age group from 15-25 years were dominant over the other age groups of 26-35 which implied that a biggest percentage of the respondents as per my search study were mostly youth as they amounted to 80.4%(40) within the age bracket of 15-25 years whereas those from 26-35 years were only 19.6%(12).

Chart 3

education level

46 responses

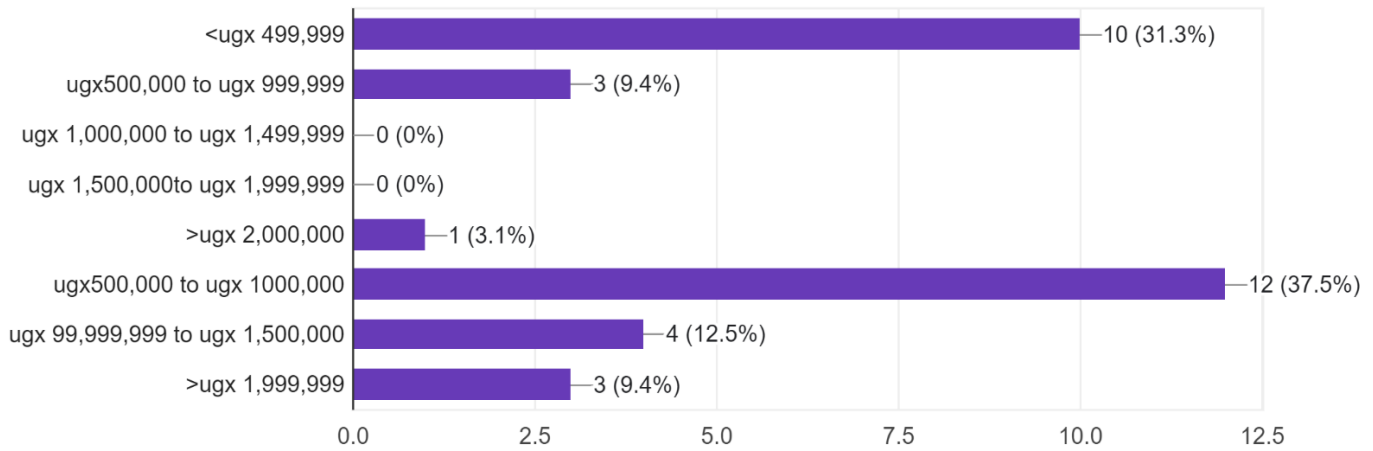


From my observation according to the reserch study, most of the respondents were unergraduates as a smaller percentage were postgraduates and college students with percentage distribution of 6.6%(10) and 13%(18) respectively whereby 60.9%(20) of these respondents were aware of their current level of income given in Uganda Shillings whereas the rest of the 39.1%(14) were not aware of their level of household income. Out of the respondents who were aware of thier level of income , their network was detrmined according the distributon of income earned from anysource of work as shown in the figure below.

Graph 1

if yes, tick the most appropriate as per your income level

32 responses



It can be observed that of the respondents who are aware of the distribution of their levels of income, 37.5%(23) were between Ugx 500,0000 to Ugx1,000,000 and this was averagely he highest percentage obtained with 3.1%(7) as the lowest for those with levels of income greater than Ugx2,000,000

Chart 4

how often do you notice changes in the prices of goods and services you purchase

47 responses

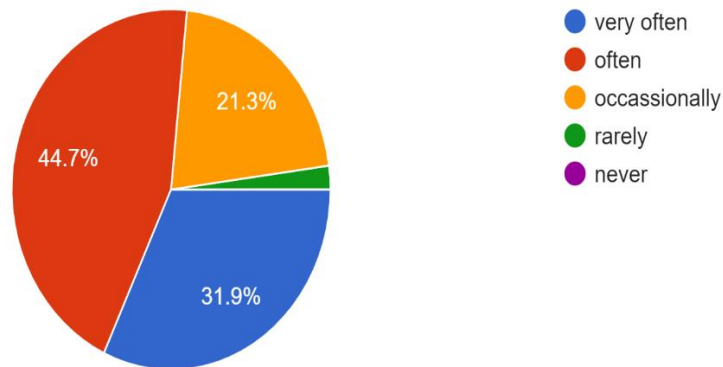


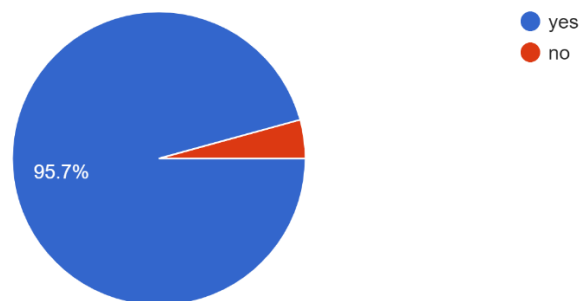
Chart 4 shows that out of the many respondents obtained, 44.7%(23) often notice changes I the prices of goods and services they purchase, 31.9%(15) of the respondents very often notice changes in the prices of goods and services they purchase ,21.3%(10) of the respondents occasionally notice changes in

the prices of goods and services that they purchase, 2.1%(4) of the respondents rarely notice changes in the prices of goods and services they purchase. It was further observed that there was no respondent that did not notice a change in the prices of goods and services they purchase.

Therefore, of these changes in prices of goods and services, 95.7%(48) strongly agreed that changes in prices influence changes in this price, 2.2%(4) neutrally agreed that changes in taxes influence price changes whereas another 2.2% hypothetically disagreed with the statement that changes in taxes influence changes prices of goods and services during the research study. It was from this same observation where analysis was drawn given that 95.7% of the respondents noticed changes in their consumption patterns whereby, they are able to adjust your spending habits due to sudden fluctuations in prices as the rest did not notice any change given the factors affecting market dynamics as shown in chart 5

Chart 5

Have you noticed any changes in your consumption patterns due to changes in taxes?
47 responses



4.2discussion of finding on objective one

It was observed that since changes in prices of goods and services significantly affects people's consumption expenditure in a way that and increase in price will result into an increase in the level of taxation as the government may have an incentive to ensure stable prices in the economy.

4.2.1 presentation of finding on objective one

. regress CPR IT

Source	SS	df	MS	Number of obs	=	47
Model	6.70319679	1	6.70319679	F(1, 45)	=	7.50
Residual	40.2329734	45	.894066076	Prob > F	=	0.0088
Total	46.9361702	46	1.02035153	R-squared	=	0.1428
				Adj R-squared	=	0.1238
				Root MSE	=	.94555

CPR	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
IT	.361711	.1321008	2.74	0.009	.0956463 .6277757
_cons	.9750831	.3130823	3.11	0.003	.3445029 1.605663

f-statistic, degrees of freedom 1,45

p-value = 0.0088

r-squared = 0.1238

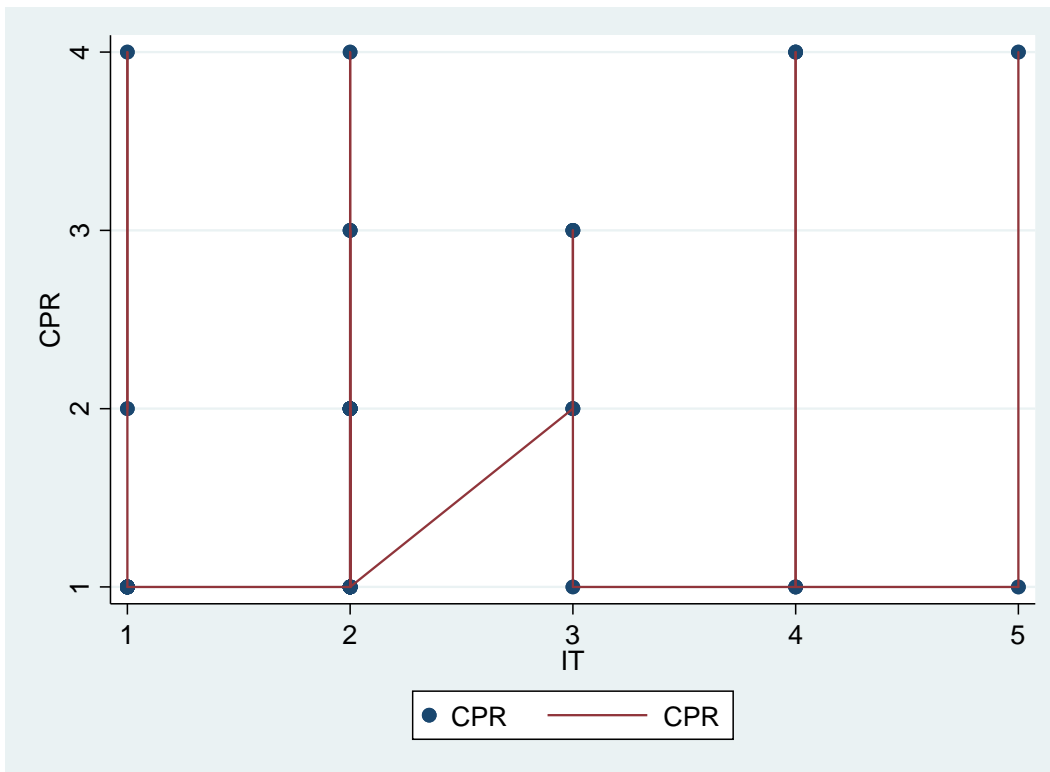
Given the p-value as (0.0088) from the table above, this shows that there is moderately an association between changes in prices and increase in taxes. This implies that an increase in taxes is statistically significant in explaining the changes in prices of goods and services.

R-squared, this shows that the dependent variable (CPR) is being explained by a 14% proportion of the dependent variable (IT)

. tab CPR IT

CPR	IT					Total
	1	2	3	4	5	
1	11	11	1	2	1	26
2	1	9	2	0	0	12
3	0	2	2	0	0	4
4	1	1	0	2	1	5
Total	13	23	5	4	2	47

Graph 2



The above graph shows the patterns at which changes in taxes influence market price changes whereby when the taxes are high, prices tend to go up and vice versa.

4.2.2 discussion of finding on objective one

The impact of price changes on consumption expenditure depends on a number of factors, including the type of good, the magnitude of the price change, and the economic conditions. In general, however, price increases tend to have a negative impact on consumption expenditure whereas a price decrease may result to an increase in expenditure other factors held constant. Pierre-André Chiappori, an economist who has contributed to the understanding of household behaviour, consumption patterns, and the allocation of resources within families. His research often focuses on the intersection of household economics and public policy.

Summary for variables: CPR
by categories of: IT (IT)

IT	mean	sd	skewness	kurtosis
1	1.307692	.8548504	2.711169	8.937673
2	1.695652	.8221249	1.106141	3.811275
3	2.2	.83666	-.3436216	1.846939
4	2.5	1.732051	0	1
5	2.5	2.12132	0	1
Total	1.744681	1.010125	1.166916	3.143429

From the above, skewness for the individuals who agree on the impact of price changes on their consumption expenditure is explained whereby the data is moderately skewed to increase in taxes.

Kurtosis treatment, this shows that the distribution of the patterns of changes are too peaked thus not normally distributed

4.2.3 presentation of finding on objective two

```
. regress DT IS
```

Source	SS	df	MS	Number of obs	=	47
Model	13.9700602	1	13.9700602	F(1, 45)	=	8.10
Residual	77.6469611	45	1.72548802	Prob > F	=	0.0067
				R-squared	=	0.1525
				Adj R-squared	=	0.1336
Total	91.6170213	46	1.99167438	Root MSE	=	1.3136

DT	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
IS	.3948243	.1387589	2.85	0.007	.1153496 .674299
_cons	1.587132	.3898511	4.07	0.000	.8019316 2.372332

F -statistic, degrees of freedom 1, 45

p-value = ,0.0067

r-squared = 0.1525

scatter plot

From the above, given the p-value as (0.0067) this implies that a decrease in taxes is statistically significant in explaining an increase in spending by households.

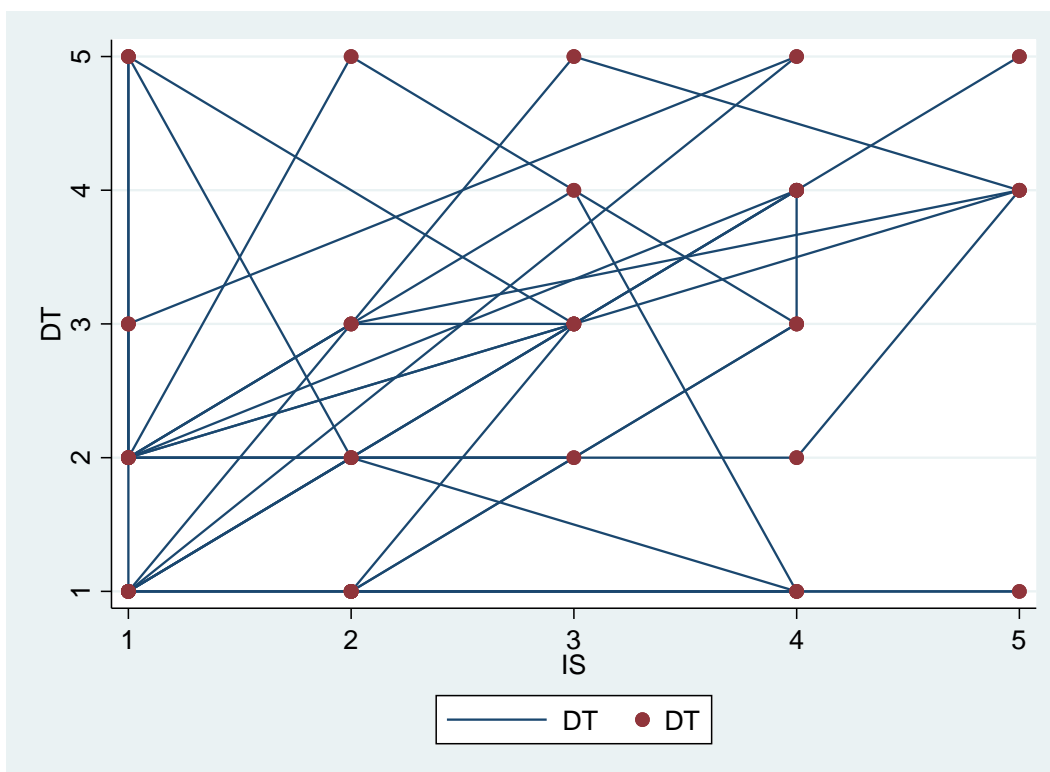
R-squared, this shows the variation at which the dependent variable (DT) is being explained by a 15% proportion of the independent variable.

```
. tab DT IS
```

DT	IS					Total
	1	2	3	4	5	
1	7	5	0	2	1	15
2	6	2	1	1	0	10
3	2	2	3	2	0	9
4	0	0	1	4	2	7
5	2	1	1	1	1	6
Total	17	10	6	10	4	47

Scatter plot 1

two-way (line DT IS) (scatter DT IS, sort)



From the above scatter plot, it shows how a decrease in taxes can influence the level at which households spend their income as they tend to increase their consumption expenditure.

4.2.4 discussions of finding on objective two

It's clearly explained that imposition of taxes through the use of contractionary or expansionary policies by the government affects both the consumers and producers of certain goods and services in the economy as they aim to achieve developmental objectives. This impact is greatly felt by a sudden increase in prices of certain goods and services as well as a decrease in people's current income. Alp, Esra; Seven, Unal (2019) : The dynamics of household final consumption

4.2.5 Presentation of finding on objective three

Table 2

```
. regress CP IT
```

Source	SS	df	MS	Number of obs	=	47
Model	9.03125221	1	9.03125221	F(1, 45)	=	13.27
Residual	30.6283223	45	.680629384	Prob > F	=	0.0007
Total	39.6595745	46	.862164662	R-squared	=	0.2277
				Adj R-squared	=	0.2106
				Root MSE	=	.825

CP	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
IT	.4198505	.1152593	3.64	0.001	.1877063 .6519947
_cons	1.021595	.2731675	3.74	0.001	.471407 1.571782

F-statistic, degrees of freedom 1,45

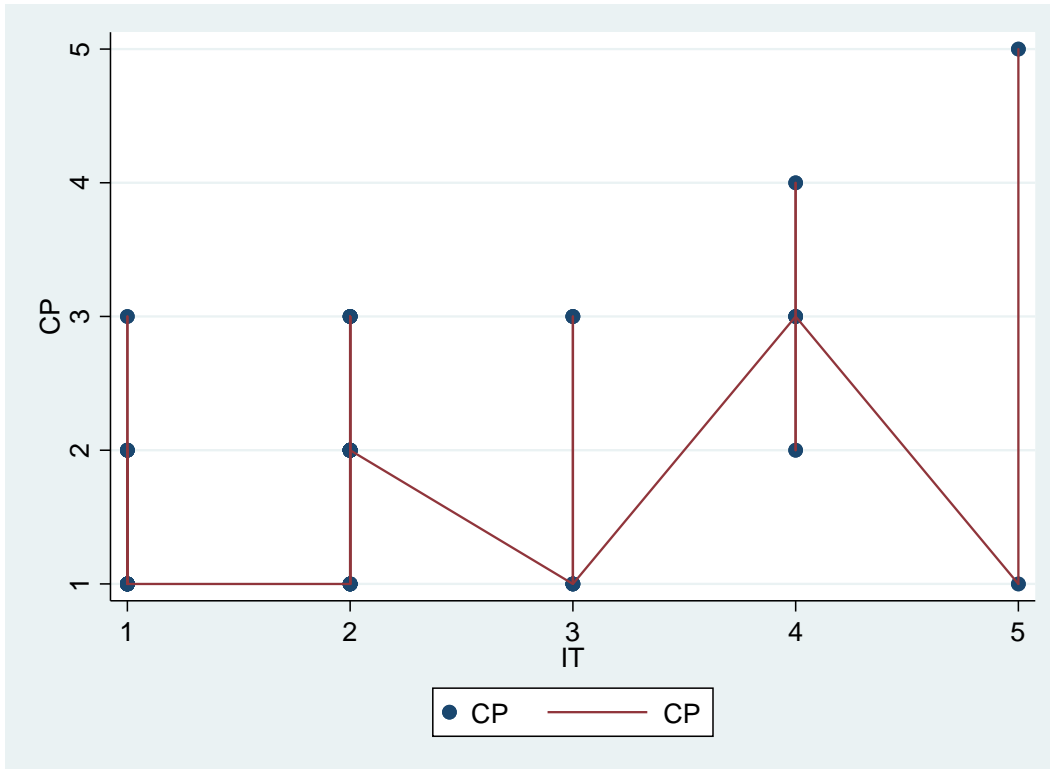
p-value = 0.0007

r-squared = 0.2277

The p-value given as (0.0007) shows that there is a high association between the variables. Therefore, this implies that an increase in taxes is highly statistically significant in influencing the consumption patterns of individuals.

R-squared, this shows a 22% proportion by which the dependent variable (CP) is being explained by the independent variable (IT)

Graph 3



The graph above shows the patterns at which households change their tastes and preferences depending on the rate of increase of taxes.

4.2.6 Discussion of finding of finding on objective three

Tastes and preferences generally have a significant effect on household expenditure where by different people have different preferences for different goods and services. For example, some people prefer to eat healthy foods, while others prefer to eat junk food. Some people prefer to live in urban areas, while others prefer to live in rural areas. These different preferences can lead to different consumption patterns.

CHAPTER 5

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.0 introduction

This chapter presents the summary and conclusion derived in the conduct of the study which is to probe on the effect of market dynamics on household consumption expenditure. It also provides recommendations that can be pursued by the different households on issues concerning how to manage their consumption expenditure relative to the various changes in prices of goods and services. Together with government policies, it entails detailed strategies under which the government through its various institutions can adopt to ensure that households are able to improve on their welfare as well as measures to reduce the price volatility in the macro economy at a glance.

The study was conducted at Buguju, Mukono Municipality. The respondents were from various categories such as students, teachers, business owners and vendors. Convenience sampling & random sampling methods were used to select the respondents as per the business owners and students respectively. It employed both quantitative research and qualitative research with the utilization of descriptive design method. Pertinent data were also obtained through pretest and posttest. The statistical tools used were mean, percentage, dependent and independent t-test.

5.1 summary of finding on background characteristics of the respondents

The respondents were from various categories such as students, teachers, business owners and vendors that lived round mukono especially those in Buguju whereby it was the most convenient to conduct the study due to the ongoing economic activities.

5.2 summary of finding on the extent to which changes in market prices have a significant impact on household consumption expenditure.

Price changes have a significant impact on consumption expenditure, which refers to the total amount of money spent by consumers on goods and services. When prices increase, consumers generally experience a decrease in their purchasing power, meaning they can buy fewer goods and services with the same amount of money. This leads to a decrease in consumption expenditure as consumers either buy less of the same products or opt for cheaper alternatives.

Conversely, when prices decrease, consumers' purchasing power increases, enabling them to buy more with the same amount of money. This often results in higher consumption expenditure as consumers may choose to buy more of the same items or even explore new purchases they might have. The relationship between price changes and consumption expenditure is an essential factor in understanding consumer behavior, market demand, and economic trends. It affects not only individual purchasing decisions but also the broader dynamics of supply and demand in the economy, considered too expensive previously.

5.3 summary of finding on the effect of imposing taxes on household consumption expenditure

The level of impact on household consumption expenditure varies across different regions as can influence consumption patterns in several ways

Increased taxes can lead to lower consumption of certain goods and services, particularly those with inelastic demand (goods that people consider necessary regardless of price changes). Essential items like basic groceries and utilities might be affected less, but luxury items could see a more substantial decline in demand.

The taxes collected from households are often used to fund public goods and services such as infrastructure, healthcare, education, and social welfare programs. As tax rates change, the availability and quality of these government-provided services can influence household consumption decisions.

Taxes can significantly influence household consumption expenditure by affecting disposable income, altering spending priorities, and encouraging changes in consumption patterns. The exact impact depends on the type of

taxes, their rates, and how they interact with consumer behavior and economic conditions.

5.4. summary of finding on how changes in tastes and preferences have different levels of impact on household consumption expenditure.

In essence, household consumption expenditure is profoundly influenced by individual and collective tastes and preferences. These preferences guide consumers' choices, shape market dynamics, and drive shifts in spending patterns across various goods and services.

Changes in consumer tastes and preferences directly impact the demand for specific goods and services. If a product aligns with current trends or becomes more desirable due to changing preferences, its demand may increase, leading to higher consumption expenditure on that item.

Preferences can influence pricing strategies. Products that are highly favored by consumers might command higher prices, while those with declining popularity might experience reduced prices or demand.

5.5 conclusion

Based on the indicated findings drawn from the research hypothesis, the respondents on from the scholar side and the educated individuals had almost the same level of base knowledge on the topic about the impact of market dynamics on household consumption expenditure as the questionnaires were applied, market dynamics, which encompass the various forces and factors that affect supply, demand, pricing, and overall market conditions, play a crucial role in shaping household consumption behaviour. These dynamics significantly shape household consumption patterns by influencing product availability, pricing, consumer confidence, innovation, and more. Understanding and analysing these dynamics are essential for predicting consumer behaviour and making informed decisions in business, economics, and policy-making.

5.6 key recommendations

This study revealed the effectiveness of acknowledging the various factors and causes of changes in prices as an inquiry based on managing household consumption expenditure. Thus, the following recommendations are hereby presented:

Market Research and Analysis:

Businesses should invest in thorough market research to identify shifting consumer preferences and trends.

Regular analysis of market dynamics can help companies anticipate demand changes and adjust their strategies accordingly.

Consumer Segmentation:

Tailoring products and marketing strategies to specific consumer segments based on preferences and behaviours can enhance customer engagement and loyalty.

Responsive Pricing Strategies:

Businesses should adopt flexible pricing strategies that reflect changes in market conditions, aiming to strike a balance between affordability and profitability.

Innovation and Product Development:

Staying attuned to market dynamics enables businesses to develop innovative products that align with evolving consumer needs and preferences.

Diversification of Offerings:

Companies can expand their product portfolios to cater to a wider range of consumer preferences, reducing the risk associated with fluctuations in demand for specific items.

Supply Chain Management:

Efficient supply chain management ensures consistent availability of products, minimizing disruptions that could affect consumer consumption decisions.

Consumer Education:

Educating consumers about the value and benefits of products can influence their preferences and drive consumption in line with market trends.

Data-Driven Decision-Making:

Utilizing data analytics to monitor market trends and consumer behaviors can lead to informed decisions in various sectors, from marketing to inventory management.

Government Policies:

Policymakers should consider market dynamics when designing economic policies that affect consumer behaviour, such as taxation, trade regulations, and subsidies.

Financial Planning for Consumers:

Individuals should be aware of market dynamics to make informed decisions about budgeting, savings, and spending based on changing economic conditions.

Recognizing the symbiotic relationship between market dynamics and household consumption is essential for effective decision-making across various domains. Implementing these recommendations can help stakeholders adapt to changing consumer behaviours and market trends, ultimately fostering a more resilient and responsive economic ecosystem.

5.7 Areas of further research

Due to Resource and time constraints, this study focused on the following objectives, to supplement this study, further research needs to be carried out along the following areas!

1.Digital Transformation and E-commerce:

Investigate how the rise of e-commerce and digital marketplaces influences consumer behaviour and consumption patterns, particularly in relation to convenience, pricing, and product accessibility.

2.Behavioral Economics and Decision-Making:

Study the psychological factors that mediate the connection between market dynamics and household consumption, considering how cognitive biases and emotional responses affect spending decisions.

Technology Adoption and Innovation:

Explore how the adoption of new technologies, like artificial intelligence and automation, impacts consumer preferences, job markets, and overall consumption patterns.

Globalization and Trade Dynamics:

Investigate how international trade dynamics, including trade agreements and disruptions, affect the availability, pricing, and consumption of goods on a global scale.

Crisis Resilience and Consumer Behavior:

Study how market dynamics change during crises (e.g., pandemics, economic recessions) and the subsequent shifts in household consumption behaviors and priorities.

Research in these areas can provide valuable insights into the complex interplay between market dynamics and household consumption expenditure, contributing to a more nuanced understanding of consumer behavior and its economic implications.

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Questionnaire

Dear participant,

I am Okello Ivan Chanex a student at Uganda Christian University pursuing a Bachelor's degree in Economics and Statistics, cordially asking for your time and cooperation in a research study as part of my academic requirement.

The purpose of this research is to examine the effects of market dynamics on households' consumption decisions in Uganda. Your valuable insights and experiences will greatly contribute to the success of this study. This research is to investigate the relationship between changes in the market system and households' consumption decisions in Uganda. By analysing how changes in this affect the consumption patterns of households, I aim to better understand the macro economic factors influencing consumption behaviour and their implications for individuals and the broader Ugandan economy.

APPENDIX 1, SECTION 1: Demographic Information

Please tick the appropriate answers provided in the box.

Gender

Male Female

Age

15-25yrs 26-35yrs 36-45yrs 46-55yrs Above 55years

Educational Level

High School or Below College University Postgraduate

Household income

Are you aware of your current level of income in UGx?

Yes No

If yes, tick the most appropriate as per your income level

< UGX 499,999	<input type="checkbox"/>	UGX 1,500,000 to UGX 1,999,999	<input type="checkbox"/>
UGX 500,000 to UGX 999,999	<input type="checkbox"/>	>UGX 2,000,000	<input type="checkbox"/>
UGX1,000,000 to UGX 1,499,999	<input type="checkbox"/>		

Household size

Are u aware of your current household size?

Yes No

If Yes, please tick the most appropriate

< 5	<input type="checkbox"/>	16-20	<input type="checkbox"/>
6-10	<input type="checkbox"/>	> 20	<input type="checkbox"/>
11-15	<input type="checkbox"/>		

APPENDIX II:

Please, for items here, please mark the item that you feel is most applicable.

How often do you notice changes in the prices of goods and services you purchase?

Very often Often Occasionally Rarely Never

Have you observed any changes in your consumption behaviour due to changes in market prices?

Yes No

2.2 If Yes, do you believe that changes in taxes influence the prices of goods and services in the market?

Strongly agree Agree Neutral Disagree Strongly disagree

Have you noticed any changes in your consumption patterns due to changes in taxes?

Yes No

If Yes, have you had to adjust your spending habits due to sudden fluctuations in prices?

Yes No

If Yes, How would you describe your general spending pattern on essential goods in the last year?

Increased Remained the same Decreased

Do you tend to spend more on essential goods during times of economic uncertainty?

Yes No

Are there any specific changes you make to your consumption habits when faced with rising food prices?

Yes No

.....

SECTION B: STATEMENTS ON THE IMPACT OF MARKET DYNAMICS ON HOUSEHOLD CONSUMPTION EXPENDITURE.

Use the five scale below to rate the items in Sections B and C by circling the answer that you feel is most applicable to you.

Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
1	2	3	4	5

Statements on impact of price volatility on consumption expenditure

Statements on impact of price volatility on household consumption expenditure	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
Changes in prices has significantly affected my household consumption expenditure.	1	2	3	4	5
I have had to make significant changes in the demand for goods and services due to changes in prices.	1	2	3	4	5
Changes in prices of goods and services have made it difficult to pay for certain essential goods & services such as education, housing, utilities and healthcare.	1	2	3	4	5
I have had to reduce spending on some essential items due to an increase in prices of the goods and services.	1	2	3	4	5
I have had to increase spending on some essential items due to a decrease in prices of those goods and services.	1	2	3	4	5
I have had to borrow money or use savings due to changes in prices of certain goods and	1	2	3	4	5

services.					
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Statements on the effect of imposing taxes on consumption expenditure

Statements on impact of imposing taxes on household expenditure	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
The imposition of taxation has significantly affected my household expenditure.	1	2	3	4	5
An increase in taxes has significantly affected my decision on which goods to consume.	1	2	3	4	5
An increase in taxes affects my ability to pay for essential expenses such as education, housing, utilities and healthcare.	1	2	3	4	5
A decrease in taxation has allowed me to spend more on certain non-essential items.	1	2	3	4	5
A decrease in taxation has led to a decrease in the cost of housing as ren is made affordable.	1	2	3	4	5

Statement on the effect of changes in tastes and preference on consumption expenditure

Statements on changes in tastes and preferences	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
My consumption patterns significantly affect the level at which I spend my income.	1	2	3	4	5
An increase in the creation of new products and services has significantly increased my household expenditure.	1	2	3	4	5
An increase in the concern for environmental protection has led to an increase in the consumption of more organic foods.	1	2	3	4	5
A decrease in household income has led to a decrease in the consumption of certain no-essential commodities and consumption of more essential goods and services.	1	2	3	4	5
An increase in the quality and quantity of certain goods and services has led to increased consumption of such goods.	1	2	3	4	5

SECTION C

Have you observed any changes in your consumption behaviour due to changes in market prices?

Yes

No

If yes, please describe.

.....
During periods of food price volatility, what strategies do you employ to manage your household expenses?

.....
Are there any specific changes you make to your consumption habits when faced with rising food prices? Please elaborate.

.....
Do you tend to spend more on essential goods during times of economic uncertainty? Why or why not?

.....
In your opinion, what role does government policy play in stabilizing market dynamics and consumer spending?

.....
Please share any additional thoughts or insights you have regarding the impact of market dynamics on household consumption expenditure.

Thank you for participating in this study. Your responses will contribute to a better understanding of the relationship between market dynamics and household consumption expenditure.



UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: Okello Ivan Chanex Reg. No. J21B34/218

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

"Impact of market dynamics on household consumption"^{expenditure}

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator