THE IMPACT OF FISCAL POLICY ON THE MANUFACTURING INDUSTRY OF UGANDA CASE STUDY OF COCA COLA BEVERAGES UGANDA

EMMANUEL IAN KATWERE

S19B34/842

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

September, 2024

UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

Declaration

I Katwere Ian Emmanuel Reg S19B34/842, declare that this is my original dissertation and has not been presented in any Institution of higher learning for any academic award. Credit has been given to all other writers' works that were used in part of this research.

Signature ..... Date 24/09/2024

Ian Emmanuel Katwere

Approval

This is to certify that this research report titled " The impact of fiscal policy on the manufacturing industry a case study of century Bottling Company" by Ian Emmanuel Katwere has been conducted under my supervision and is now ready for submission to the School of Business Board of Examination with my approval.

Signature: .....

Aleko Godfrey

Date: 7th/09/2024

ii

Dedication

This research is dedicated to my family especially my parents Mr. Ben Kabaale and mother Ms. Kaganzi Margaret that have made sacrifices to enable me achieve everything. I also thank my sister Ingrid Karungi who has been a constant source of inspiration in my academic and social life. Your love and unconditional support have enabled me stay focused despite the numerous challenges. You're all loved so much and may the Lord bless you abundantly.

Acknowledgement

My heartfelt appreciation goes to my supervisor, Mr. Aleko Godfrey whose invaluable guidance, insightful suggestions, and unwavering encouragement throughout this research have been instrumental to its completion. I truly could not have done it without your support. I also don't take for granted the time, patience and resources that you have invested in me. May God bless you abundantly.

From the bottom of my heart, I want to thank my parents and sister that have continuously encouraged and Aided my academic journey. Your love and support in terms of finance, emotions and moral has shaped me into the person that I am today. This research would be incomplete without the help of Mr. And Mrs. Karau and their family that have always supported and encouraged and challenged me to be better.

I extend my sincere thanks to the staff of Coca cola Beverages Uganda, Uganda Revenue Authority, Ministry of Finance Planning and economic development as well as Uganda Bureau of Statistics for generously providing the data for this study despite of their busy schedules.

Lastly, I wish to express my deep gratitude to all my friends especially Peter Nyombi, Rachael Kasande, Musoba Abel, Esther Nakabugo and Stefan Obbo for their academic and moral support. Yourassistance and guidance throughout my academic journey especially during the final semesters was invaluable. May the Almighty God reward you with success and whatever you desire.

Table of Contents

ABSTRACT

Although the government has implemented a number of policies aimed at improving Uganda's economic growth through the contribution of the manufacturing industry and the utilisation of the sector's capacity, fiscal policy has increasingly become a source of concern in terms of its role in the performance of Ugandan manufacturing industries. The purpose of this study was to determine the impact of fiscal policy on Uganda's industrial output. Empirical evidence from both developed and developing economies has clearly demonstrated that fiscal policy, when properly handled, has the potential to influence the entire economy.

The research adopted a quantitative and qualitative cross-sectional survey design. The idea and reason behind the adoption of a cross-sectional survey design are that it involves the measurement variables by asking people questions and then examining relationships among the variables at one point in time. Regarding this, the research design was considered appropriate as it would give an opportunity to make an intensive analysis of specific details over the data collected. Besides, the design intended to collect data without manipulating the research variables or the respondents themselves in order to get the genuine perception of the respondents.

This led to the following conclusion in the research, government revenue has an influence on the returns on investment in an industry as well as an influence on the return on equity, on the return on sales, giving that government spending can influence inflation which affects the overall performance of an industry, Government revenue was found to be a big influence on the performance of industries in Uganda. Return on equity, return on sales, return on investment, return on net profit margin, the asset ratio, government income tax rate, government policy that influences performance of our company, and government policy on the rate of lending affects an Industry performance.

Taxation as a fiscal policy tool affects both the efficacy and efficiency of Uganda's manufacturing industry. Uganda's fiscal policy on taxes has a considerable impact on the manufacturing sector's output. As a result, the government can collect revenue through taxation and spend money, impacting the activities of manufacturing companies and other economic activities. This has led me to the conclusion that fiscal policy on taxation is highly important and must be carefully managed if industries are to actually remain competitive and viable.

CHAPTER ONE: INTRODUCTION

1.0 Introduction

This study focused on exploring fiscal policy and financial performance of manufacturing industries, focusing on Coca-Cola Beverages Uganda a case study. This chapter presents the background to the study, statement of the problem, objectives of the study and research questions. In addition, it provides the scope of the study, significance of the study, and conceptual framework.

1.2 Background of the study

The manufacturing sector is the driving force behind the global economy and global development. The sector contributes significantly to GDP, jobs, and the industrialization of established and emerging economies. Uganda's manufacturing industry has steadily evolved and is comprised of 16% of national GDP in 2020 (Uganda Bureau of Statistics [UBOS], 2021). At the heart of the sector, the beverage industry, spearheaded by multinational companies such as Coca-Cola Beverages Uganda(CCBU) which is under a bigger firm called Coca cola Beverages Africa (CCBA), is pivotal to the economic landscape of Uganda.

Coca-Cola and the rest of the beverages industry forms part of the manufacturing segment that is key in Uganda, East Africa and around the world. Coca Cola company is one of the largest manufacturing companies it has a factory in Uganda and supplies a broad market in east Africa. Since coca cola remains an influential player in the Ugandan economy it's performance is closely associated with the fiscal policy regime in Uganda. Policies that relate to taxation, government expenditure on infrastructural development and fiscalization influence the company's production cost, re-pricing mechanisms and profitability.

In Uganda, high taxes have been a major concern reforms on the structure of taxes have raised serious challenges for manufacturers such as Coca cola. The corporate tax rate of the country is 30% and besides this, the beverage industry also has to pay excise taxes, VAT and import duties on the raw material which are URA Certified rates (Uganda Revenue Authority [URA], 2020). These fiscal measures makes the cost of production to go high consequently lowering their competitive capacity in both regional and global markets as experienced by Coca-Cola. In addition, unpredictable actions and instability of fiscal policies along with fluctuations in the tax laws lead to the unfavourable business environment and hence little possibility of long-term planning for the manufacturers.

In East Africa, countries like Kenya and Tanzania have understood the role of fiscal policy in encouraging industrialization. With Kenya's Vision 2030 and Tanzania's National Five-Year Development Plan, fiscal policy influences manufacturing and export-led development for both Kenya and Tanzania (KNBS, 2019, p. 15; Tanzania Planning Commission, 2021, p. 10). In similarity with her neighbors, Uganda through the government has set infrastructure development, tax incentives, and subsidies as some of the key policies that it has undertaken to support the manufacturing sector. However, the efficiency of these policies has been doubted, particularly regarding their influence on multinational enterprises such as Coca-Cola Beverages Africa. Fiscal Policy in Africa and the Manufacturing Sector

Some African countries are on the right track using fiscal policy tools towards Industralization. For instance, South Africa has used fiscal measures such as taxation and infrastructure outlay to promote the growth of the manufacturing floor in areas such as automotive manufacturing (Black, 2017). However;, other African countries face unreliable fiscal measures, high taxes, and low government expenditure on physical capital that hampers the development of their manufacturing industries (World Bank, 2020). Although Uganda's fiscal policies are noted to have both positive and negative impacts to the manufacturing sector here, the global environment offers examples of how fiscal policy can be used pro-actively to support industrial development. Fiscal policy has been used by countries in East Asia such as South Korea and China to enhance the manufacturing sector. Such a scenario is possible due to substantial state investments in infrastructure, as well as the availability of tax preferences for manufacturers, for instance, in South Korea, the state has become one of the most significant industrial powers in the world (Lee & Kim, 2016). Likewise, China formulated understanding fiscals and has aimed for giving taxes and subsides for strategic industrialization including manufacturing industry, which has completely boosted the economic development in short period (Li, 2019).

Ugandas financial strategies have shown effects on the manufacturing industry; however a broader perspective reveals how fiscal policies can successfully enhance industrial development worldwide. Nations in East Asia like South Korea and China have effectively utilized measures to stimulate the expansion of their manufacturing sectors. South Koreas significant investments in infrastructure and incentives like tax exemptions for manufacturers have propelled the country to become a global leader, in industrial prowess (Lee & Kim 2016).In the vein Chinas economic policies have focused on granting tax breaks and financial

aid to vital sectors like manufacturing. This strategy has played a role, in fueling the nations swift economic growth (Li cited in 2019).

1.3 Problem statement

The government of Uganda has been introducing fiscal policies in recent times to boost economic development and enhance the business landscape by generating employment opportunities; however its effects on the manufacturing industry have been varied in nature. While improvements in infrastructure due to government spending have led to production costs and expanded market reach for manufacturers; conversely high corporate taxes and frequent alterations in tax regulations have raised operational expenses, for businesses operating within the country (World Bank Report 2Fiscal

As a leading beverage company in Uganda's manufacturing industry, the operations of Coca-Cola are highly affected by the prevailing fiscal policies of taxation and government spending .Tax policies like taxes and excise duties along with taxes levied like value added tax (VAT) not only have a notable impact on the costs of production but also on pricing strategies which ultimately affect the profitability and market share of businesses greatly. Government investment in infrastructure such as road improvement, power supply and others has effects on logistics and operational efficiencies within manufacturing companies, including Coca-Cola.

1.4Objectives of the Study

The purpose of the study is to investigate the impact of fiscal policy on the manufacturing industry in Uganda, focusing specifically on Coca-Cola Beverages Uganda.

1.5 Specific Objectives

1. To evaluate the effect of tariffs on the production costs and pricing strategies of Century Bottling Company.
2. To analyze the role of government subsidies in enhancing the production capacity and sustainability of Century Bottling Company.
3. To assess the influence of tax incentives on the financial performance and growth of Century Bottling Company.
4. To determine the challenges faced by Century Bottling Company in navigating fiscal policy changes and their implications for strategic planning.

5. To provide recommendations for policymakers on optimizing fiscal policies to support the manufacturing sector in Uganda.

1.6 Research Questions:

- How do government spending patterns on infrastructure and other areas affect the productivity and competitiveness of Ugandan manufacturing?
- Do tariffs on imported goods stimulate domestic manufacturing growth in Uganda, or do they create inefficiencies?
- Have government subsidies been effective in promoting specific manufacturing sub-sectors in Uganda (e.g., textiles, agro-processing)

1.7 Scope of the Study

This section outlines the scope of the study by addressing the content, geographical, and time scope.

1.7.1 Content Scope

The goal of the study is to determine how fiscal policy affects the financial performance of Uganda's industrial sector, with a particular focus on Coca cola Beverages Uganda . The study will look into the following areas:

a) Government Revenue: Evaluate the impact of government revenue policies on Coca-Cola Beverages' productivity and output.
b) Assess the degree to which government spending affects the operational effectiveness and competitiveness of the business in the market.
c) Examine the connection between Coca cola Beverages' financial performance and the different fiscal policy instruments (such as tariffs and subsidies).

This therefore means the financial performance of Coca-Cola beverages Uganda will be considered the dependent variable, while fiscal policy will be considered the independent variable.

With regard to the particular case of Coca-Cola Beverages Uganda as well as the larger manufacturing sector in Uganda, the study will attempt to shed light on how changes in fiscal policy are affect the overall performance of the industry in terms of profitability and revenue.

1.7.2 Coverage Area

The Coca-Cola Beverages Uganda in Namanve industrial parkwill be the site of the investigation. Producing a large variety of non-alcoholic drinks ranging from soft carbonated drinks like soda, to other beverages like juice and water CCBU is a significant player in the beverage business. The study's geographic scope consists of:

Headquarters and Production Facilities: The focus of the analysis will be on the activities of CCBU, which includes its distribution networks and production facilities. National Context: While CCBU is the main subject of this study, the results will also be analyzed in the context of Uganda's manufacturing industry as a whole to give readers a thorough grasp of the effects of fiscal policy.

1.7.3 Time Scope

The study will assess trends and effects over time by examining data and literature across a ten-year span (2013 to 2023). This time frame was selected in light of the observed shifts in CCBU's financial performance as well as the significance of changes in fiscal policy throughout this era. Additionally, in order to capture recent advances and present implications, the study will especially look at data from May to September 2023.

1.7 Significance of the Study

The study will be of significance to the following beneficiaries:

The study will take an important step in inspiring the Ugandan government and in particular tax bodies (URA) to adopt appropriate fiscal policy to manufacturing industries all over Uganda. This study is therefore to act as a guide in designing appropriate policies that will guide government planners in handling fiscal policy on manufacturing industries.

The study will help the Government and different policy makers to implement and design the suitable fiscal policies for the growth and financial performance of manufacturing industries. Indeed, the study will be useful to the government in policy making regarding the fiscal policy on the performance of manufacturing industries through legalization and available policies.

The study will also be beneficial to government parastatals and other government regulatory bodies such as Uganda Investment Authority and Kampala City Council Authority (KCCA) as it aims at earmarking the importance of fiscal policy on the performance of manufacturing

industries. They will base of this study conclusions and recommendations to find out the recommended strategies that can be adopted towards achieving their effectiveness at places of work.

The researchers have enhanced themselves thorough knowledge of fiscal policy and its practice in Uganda plus other parts of the world as benchmarks. The study has acted as a basis for further study for other researchers to carry out further research in the same field of fiscal policy and financial performance of manufacturing industries; and also, the research report acted as reference in the near future.

Manufacturing industries as tax payers shall understand more about fiscal policy and how it could improve their financial performance. The findings of the study have helped URA assess the effectiveness of the fiscal policy from the consequential responses of the tax payers.

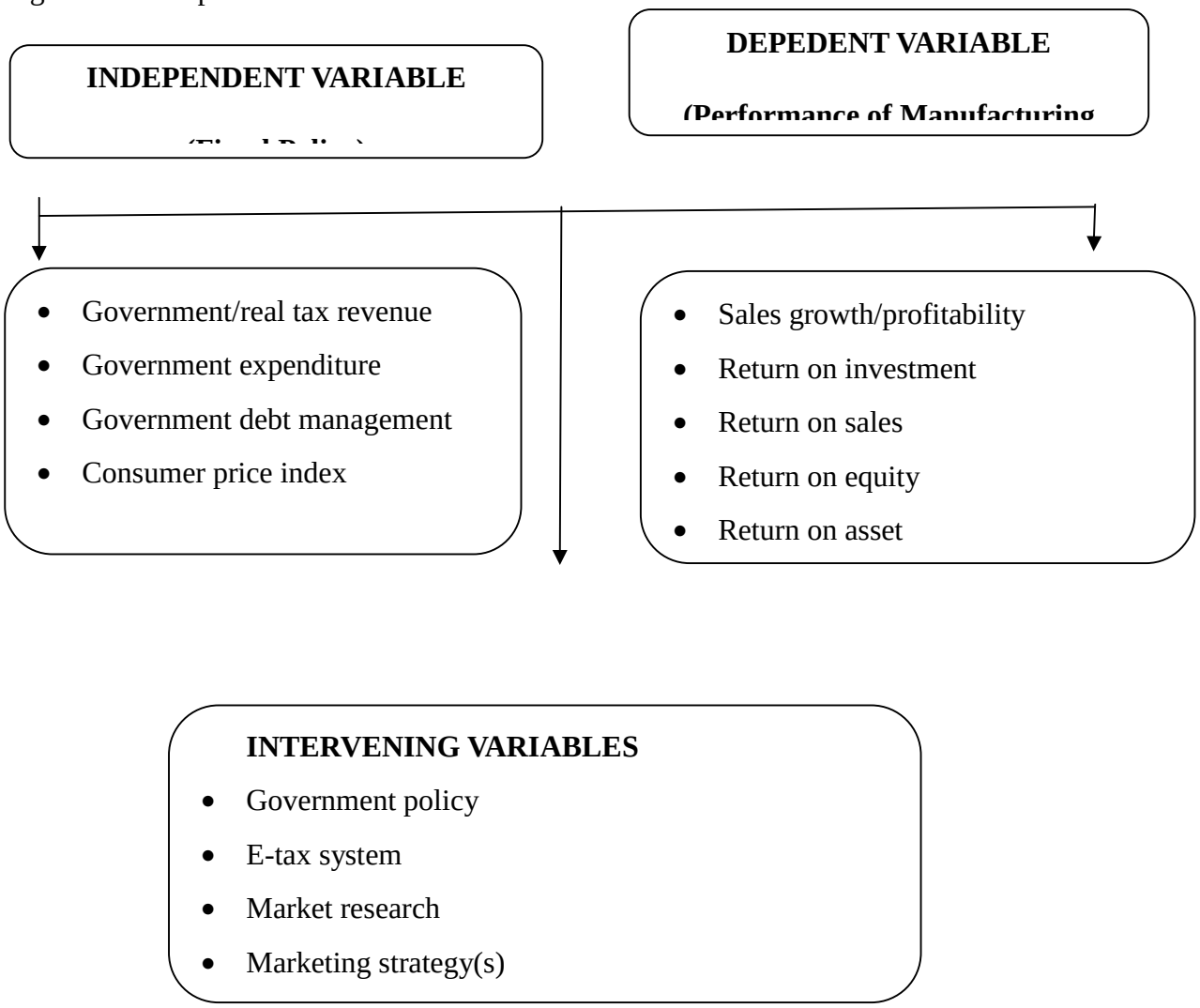
Library Users: The study findings have been considered as a source of reference for other academic library users from Uganda Christian University and beyond. It will act as a vital source of reference by future researcher in the long run.

1.8 Conceptual Framework

This is a scheme of independent and dependent variables along which the researcher shall operate so as to achieve the intended objectives as indicated in Fig.1 below:

The conceptual framework for this study illustrates the relationship between fiscal policy tools (independent variables) and manufacturing performance indicators (dependent variables). The framework considers how tariffs and subsidies affect factors such as production costs, output levels, and competitiveness.

Figure 1: Conceptual Framework



The conceptual framework posits that fiscal policies, specifically tariffs and subsidies, directly influence the cost structure and competitive dynamics of manufacturing firms. For example, a reduction in tariffs on raw materials is expected to lower production costs, thereby enhancing competitiveness. Similarly, subsidies aimed at promoting local sourcing can improve supply chain sustainability and reduce dependency on imports. The framework provides a basis for empirical investigation into these relationships, guiding the data collection and analysis processes.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

Fiscal policy mainly covers areas such collection of Government revenue (by taxation) and expenditure, and as such, has a great relevance to the business environment. Even the fiscal policies in the manufacturing sector work either in favor of growth or discourage it, depending on the structure and use of the policies. This is also the case with the beverage manufacturing industry where big players such as Coca Cola Beverages Africa (CCBA) dominate the market. This chapter offers a review of the existing literature pertaining to the use of fiscal policy preferences in manufacturing (Coca-Cola) by exploring the extent to which the research has been carried out. In politics regarding the economy, the literature review includes an understanding of the theory, surveys done in the past, and the interaction of the tax policy with various aspects of the economy with regard to how the economy performs via manufacturing. This includes emphasis on taxes and government spending and various fiscal stimuli provision.

2.1 Theoretical framework on fiscal policy and manufacturing

There are several schools of thought which explain the relationship between the fiscal policy and the manufacturing sector. The theory of Keynes is somewhat more practical in approach as it suggests the use of fiscal policies when needed to bring equilibrium in the economy especially in recession (Mankiw, 2019). What is noted is the possibility to use political instruments and particularly fiscal interventions to bring these objectives forward. Increased investment in infrastructure in the manufacturing sector, for example, will cut down costs of production and increase market penetration while taxation policy may increase or reduce the level of investment in manufacturing.

From the classical economic perspective, however, the use of fiscal policy measures ought to be taken only when it is absolutely necessary as resources should be distributed efficiently by the market mechanism. This position holds that high taxation and reliance on government debts limit the vigor of the private sector and hampers productivity in the manufacturing industry ‘(Smith 1776). In developing countries, though, markets are ‘deficient’ and there is a need for the state to step in to fuel the industries.

This is the case in the context of Uganda which is in a transition stage whereby the manufacturing sector is being prioritized hence the importance of the fiscal policy in developing this industries exists. Coca-Cola Beverages Africa operates in this waged policy environment and has to conform to the Ugandan government tax policies, which aid or create hurdles in its operations. The next sections look at how fiscal policy specifically affects manufacturing and the implications of these policy measures.

2.3 Empirical Studies on Fiscal Policy and Manufacturing

2.3.1 Global Perspectives

In the world context, fiscal policy and its consequences on the manufacturing industry have been greatly explored. Aghion et al. (2009) indicate that investment in the public sector reduces the costs of logistical barriers and improves market access, therefore raising the productivity of manufacturing industries. Rodrik (2008), in turn, argues that such fiscal policies toward fostering industrialization-for example, incentives for technical innovation and tax advantages accorded to manufacturing enterprises-are necessary for developing countries if they are to obtain long-term growth. On the other hand, overdependence on protective tariffs leads to inefficiency and losing out on competitiveness in the global market. According to Krugman, 1994, this is particularly so for Uganda, which is a tight balance between preserving the emerging businesses and competing.

2.3.2 Regional studies in Africa

The subject of the role of fiscal policy in shaping the manufacturing industry has gained growing interest in Africa. For example, Okonjo-Iweala 2012 cites the case of Nigeria, where government subsidy to the manufacturing sector has seen giant growths in industries like cement and textiles. This is supported by similar studies on developing countries like that of Karingi and Wanjala 2005, on East African countries, which includes Uganda. The study observed that tax holidays, import duty exemptions, and other fiscal incentives have played a vital role in attracting FDI into the manufacturing sector.

However, such policies have met with different degrees of success across countries and even sectors. For instance, Kinyanjui (2014) observes that even though fiscal incentives attracted investment in the manufacturing sector in Kenya, inadequate complementary infrastructure and bureaucratic inefficiencies have restricted its potential growth.

2.3.3 Impact of Taxation on Manufacturing Performance

Taxation is one of the most direct ways that fiscal policy affects production. Corporate tax, value added tax (VAT) and excise duty all affect the profitability and competitiveness of manufacturing companies. According to the Uganda Revenue Authority (URA), the tax rate in Uganda is 30%, while beverage manufacturers such as Coca-Cola are subject to additional taxes such as VAT (18%) and excise duty on beverages (URA, 2020). These taxes significantly increase the cost of production, reducing the company's profitability and limiting its ability to reinvest in expansion.

Studies in Uganda and other African countries have shown that high corporate tax rates can have a discouraging effect on the manufacturing sector. A study by Bwire (2021) on the impact of corporate tax on manufacturing companies in Uganda found that high tax rates reduce profit margins, forcing companies to reduce production or pass the cost increase on to consumers through higher prices. This leads to lower demand, especially for consumer goods such as beverages, which are price sensitive

Consequently, those countries that implemented lighter tax systems for companies became more industrially competitive. For instance, tax incentives provided to manufacturing firms include a preferential 15% tax rate for export-oriented manufacturers (Rwanda Revenue Authority, 2020). This was one of the reasons behind Rwanda's manufacturing sector increasing by 10% in 2019 (Rwanda National Institute of Statistics, 2020). The starkly different performance in Uganda compared with Rwanda points to the vital importance of formulating fiscal policies that foster — rather than impede — industrial development. The heavy tax in Uganda is one of the significant issues facing Coca-Cola.

Coca-Cola, in Uganda faces a huge tax burden. Excise taxes over soft drinks had been pointed out as one of the leading cost drivers in operations for Uganda by Coca-Cola Beverages Africa 2020. In response, the firm has had to revise its pricing policies in order not to be out-priced and also this was causing some decrease in sale volumes at various market segments. The drink manufacturing industry is an example that indicates how broad the issue of taxation policies against beverages goes.

2.3.4 Government Spending and Infrastructure Development

Efficiency of the manufacturing sector: Government spending, and that on infrastructure more specifically has a greater impact (1.3 pp). Infrastructure in the form of roads, energy supply, logistics systems is pivotal to lowering production costs and opening up new markets

both at home and abroad. Uganda, for example has the government focusing on infrastructure development as part of its fiscal policy agenda. The Uganda National Development Plan III has seen huge government spend in areas such as roads, energy infrastructure and industrial parks to back manufacturing (Uganda Ministry of Finance 2021).

Operational efficiency is key to CCBU so a bad state of infrastructure will have detrimental effects on it. The company leverages a strong transport network to dispatch its products within Uganda and the entire East African community. These frequently-ragged conditions make transportation expensive up to 1000 USD per tonne for produce and inhibit market access, particularly in remote areas. Moreover, the fluctuating electricity supply which is prevalent in Uganda predisposes beverage manufacturing firms to increased production costs as they resort to using backup generators (African Development Bank [AfDB], 2018). According to Coca-Cola the company has highlighted how energy bill is one of their major expenses, owing this mainly due to an increased investment in alternative electricity generated off-grid (Coca Cola Beverages Africa,2020)

According to studies, government spending on infrastructure is a good indicator that such an action can rejuvenate the industry. One example is a study in East Africa by Ayogu (2018) which found that reductions of production costs for manufacturers through better transport and energy could range up to 15%. In Uganda, government expenditure on such infrastructure as the Kampala-Entebbe Expressway and Bujagali Hydroelectric Power Station has facilitated manufacturers' transportation and access to energy (Uganda Ministry of Works & Transport 2019). Nevertheless, infrastructure shortcomings remain significant — especially in rural areas where road and energy infrastructures are still lagging behind.

2.4 Fiscal Incentives and Industrial Growth

Most governments use fiscal incentives, such as tax holidays, subsidies, and grants, to boost investment into the manufacturing industry. The government of Uganda has established different fiscal incentives for manufacturing companies operating within the country, including exempting taxes on imported machinery and tax holidays to companies investing in certain areas, such as agro-processing products. This is aimed at reducing the cost of doing business, with the intention of stimulating industrial growth.

Fiscal incentives would mean saving money from investments in the new lines and technological upgrades of Coca-Cola. The Ugandan government extended a tax incentive for Coca-Cola Beverages Africa in 2018 to double production capacity at Namanve Industrial

Park. This created an increase in production capacity, generated employment opportunities, and more revenues for the government through taxes. Such success stories of fiscal incentives prove that they have the ability to spur growth in industries.

However, fiscal incentives can lead to unintended consequences: revenue losses of the government, or the risk of an unlevel playing field. For instance, Baingana's work on the efficiency of fiscal incentives in the manufacturing sector of Uganda reveals that while tax holidays tend to attract foreign investment, they have also led to immense losses in revenue on the part of the government, which could have been used in public spending on infrastructure or social services. The local manufacturers, on their part, cannot compete with such multinational corporations as Coca-Cola, which are accorded a different approach in terms of incentives.

2.5 Inflation, Interest Rates, and the Cost of Capital

It is also important to note that fiscal policy has implications for inflation and interest rates, and both factors enter the cost of capital to manufacturers. In Uganda, fiscal policies that raise the level of government borrowing tend to have upward pressure on inflation, raising interest rates hence increasing the cost of borrowing to manufacturers in 2020. Access to relatively cheap credit, for Coca-Cola, is one of the reasons to finance capital investment in building new production facilities or acquiring new, sophisticated equipment.

Studies have established that increased inflation and interest rates may negatively influence the level of manufacturing performance. As estimated by Muhumuza (2019) in assessing the relationship that existed between fiscal policy and performance in manufacturing industries in Uganda, increased inflation and interest rates have a tendency to limit the capacity of firms to borrow and invest in expanding output. Coca-Cola has cited changes in interest rates in Uganda as one of the factors that raised its cost of borrowing, hence limiting its capacity for large-scale investments.

There are many appreciable questions to which the literature on the impact of fiscal policy on the manufacturing industry is open. The performance of the manufacturing sector is primarily influenced by tax policies, government infrastructure spending, fiscal incentives, and macroeconomic stability. In Uganda, fiscal policies have impacted positively and negatively on the activities undertaken by Coca-Cola Beverages Africa. Whereas fiscal incentives and infrastructural improvements have aided growth, difficulties such as high taxes and inflationary pressures persist. Findings from the literature review highlight the necessity for

an optimal fiscal policy approach that favorably fosters industrial growth with minimal cost to macro-economic stability.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.0 Introduction

The methodological section describes the approach to be employed in conducting research on the impact of fiscal policy on the manufacturing industry using Coca-Cola Beverages Africa as a case study. This chapter also intends to show how questionnaires for this study are designed and how data will be collected from relevant stakeholders.

3.1 Research design

A quantitative and qualitative approach with a cross-sectional survey design was employed. The justification and foundation of this design lie in the process of measuring variables by questioning people and then analyzing the relationship between those variables at a single point in time. This is in agreement with Creswell's argument, 2014, that the nature of such research should adopt the cross-sectional survey method. The research strategy is adequate because through this, specific features could be studied in a lot of detail from the data obtained. The purpose of this design was to be non-intrusive for gathering data with no interference with the research variables or respondents so as to get the perceptions.

3.2 Information Sources

Data sources considered in this research are both primary and secondary. The primary data in this study was compiled with the help of a questionnaire and interview guide, which was administered to the target population in Coca-ColaBeverages Uganda. In this respect, questionnaires were developed in line with the study objectives and contained both open and closed ended questions. Secondary sources of information from journals, textbooks, magazines, newsletters, research dissertations and reports, and other internet sources were also being considered.

3.3 Study Population

The target population of the study comprises of top managers, suppliers, and distributors of Coca-Cola Beverages Uganda, industry experts, fiscal policy officials in URA, UBOS, and those in MOFPED, all equivalent to 50. Responses from top managers will provide different views for making findings more reliable and comprehensive to benefit society as a whole.

Operational staff were selected in order to get information required that is reliable and valid for this study.

3.4 Sample size determination

The intended research design will adopt a purposive sampling strategy with a sample size of about 50 participants or less. This method involves the non-probability way of collecting participants that match the characteristics and relevance required for the research undertaken. This approach is thus strong in capturing insight in detail when research requires involvement with key stakeholders who influence or will be influenced by the research issue.

The purposive sampling applies since the study focuses on selecting those cases with profound knowledge and experience in fiscal policy, especially about its consequences on the industrial sector. The participants will be selected based on their role in the manufacturing sector, especially here at CCBU, and one who participates either in formulation or analysis of fiscal policy. This helps ensure that the sample comprises only people who can provide valuable insights, hence making the data relevant and appropriate for the purpose. The following categories of respondents will be included in the sample:

Managers who are at the upper level-CCBU, ten in all: These are those who make the strategic decisions of the business and would therefore have all the details as pertains to how fiscal policies in terms of taxation and governmental incentives affect company operations.

Government of Uganda policy-makers-ten in all, key staff within the Ministry of Finance, Uganda Bureau of Statistics, and the Uganda Revenue Authority-engaged in drafting and implementing fiscal policies much needed to determine the intent and effect on the manufacturing sector.

Ten Professionals that include industrial specialists and economists with widespread experiences and knowledge of Uganda's Industrial Industry and overall fiscal situation shall provide professional inputs into the relationship existing between fiscal policy and industrial growth;

Twenty suppliers and distributors in the supply chain of Coca-Cola give insight into the effects of fiscal policy on Coca-Cola Company indirectly owing to its interaction with a large manufacturer.

These reduced the sample size to a manageable group that is highly specific and appropriate for the objectives of this study. According to Creswell (2014), a small sample size allows for

exhaustive qualitative analysis in participant responses; further, its composition is balanced enough to attain a full view of how fiscal policy affects Coca-Cola and the greater manufacturing sector in Uganda.

3.5 Research instruments

The research has adopted a survey and interview method where both qualitative and quantitative data was collected. There have been numerous survey and interview methods; however, for the purpose of this research, the questionnaire and interview guide was used as discussed below.

3.5.1 Self-Administered Questionnaire

The paper has circulated 30 questionnaires to the top managers and the operational staff associated with the distribution and supply of Coca-Cola. The nature of questions was close-ended, divided into sections on background information and other detailed objective information. Quantifiable primary data came from a standard questionnaire on a ten-point Likert scale, where individual respondents were asked to rate them on a scale of 5-Strongly Agree; 4-Agree; 3-Not Sure; 2-Disagree; 1-Strongly Disagree. A questionnaire allowed the respondents to provide some information in detail due to its open-ended nature of some of the items it would have consisted of. The questionnaires applied were questionnaires designed to fulfill a specific research objective. Close-ended questions have only restricted number of responses. It is these types of questions that have been used as an instrument for gathering information. On the opposite side are open-ended questions, which are applied in cases where complex questions cannot be answered into a few simple categories but rather detailed discussions.

3.5.2 Interview Schedule

The interview schedules were only applied to fiscal policy officials from MoFPED, UBOS, and URA, as well as the chosen industrial experts that do not work with CCBU but possess vast knowledge on the topic, in order to attain qualitative data.

This brought face-to-face interaction between the researcher and participants through discussion. This is characterized by the method of collecting data whereby an interviewer communicates directly with the respondent in conformity with the prepared question guide. Open-ended questions were also used so that other valuable questions might emerge from the dialogue between the interviewer and the interviewee. Semi-structured interviews represent

one of the most widely used interviewing formats within qualitative research. Kothari, 2013. This probing interviewing tactic was used a great deal to obtain more explanation about the problem at hand from the respondents. This was in large part due to the fact that the respondents mostly did need some form of stimuli to expand or clarify their own answers and ideas more fully, such that a more holistic understanding was easily reached later on in the findings of this study.

3.6Reliability of the study

The study found its reliability as 0.935 which meant that the study findings were very reliable from the 40 items that were analyzed.

Table 1: Reliability of the study

Variable	Total Number of items	Cronbach's Alpha
Government/real tax revenue	10	0.989
Government expenditure	10	0.986
Government debt management	10	0.993
Consumer price index	10	0.992

It was expected that since all the variables in this self-administration questionnaire had an Alpha value greater than the accepted threshold of 0.7, then according to Table 2, the questionnaire is reliable to collect data.

3.7 Content validity Results

Table 2: Content viability results of the study

Variable	Total Number of items	Cronbach's Alpha
Government/real tax revenue	10	1.0
Government expenditure	10	1.0
Government debt management	10	1.0
Consumer price index	10	1.0

3.8 Data Analysis

The data from the questionnaires was then analyzed using SPSS technology; the results would, in turn, support the assessment in regards to completeness, accuracy, consistency, and

standardization. Consequently, the resultant tables were systematic tables bearing the pertinent research questions. Relating to this, the central goal of the research was to obtain significant contributions to the responses of the research problem at hand.

3.9 Measurement Levels

There were different types of measurement levels, and this included ordinal, ratio, nominal, and interval. Interval scales measure refers to an equal intervals or degrees of different, but with an arbitrary mostly established at zero point which doesn't represent anything or something. Then, the ratio scales measures can be the one who has an equal intervals and an absolute zero point. The nominal scale is usually used for the cases of gender and education level. Lastly, the interval scale is also used for period the person has been in school. In this regard, a Likert scale is a scale usually used more especially when one is responding to a particular questionnaire. In this situation, the participants might indicate their level of disagreement or agreement with the provided question. Indeed, it is often conspicuous when one is asked to express his or her feelings of a particular problem under investigation on a rating scale of 5-1. Thus, a five-point scale was used ranging between 5 strongly agree, 4 agree, 3 not sure, 2 disagree, and 1 strongly disagree.

3.10 Ethical Considerations

In doing this, the researcher put into consideration a number of ethical issues. These included, among others: First, ethical clearance, of which permission was sought for. This was gotten from Uganda Christian University and the School of Business as well. This was fully granted to the researcher to conduct the research. Another permission to conduct the study in CCBU targeted the manager of the learning and development department, who organized other managers and other study participants to take part in the study. It also ensured confidentiality of the respondents whereby respondents were not required to reveal their names nor put their contacts on the questionnaires. These were used instead of their names to avoid information given to be traced to a particular respondent. All data to gathered was to be used only for the purpose of this study and nothing else. The research procedures were explained to all the respondents before they took part in the research; and their informed consent was obtained.

The whole study also gave credence to all literature sources through proper citations and referencing. Personal bias was avoided during the entire study, that is to say, during interviews, data analysis and reporting. Consent letter was drawn by the researcher before engaging any respondent. The respondents would give their consent by appending signatures

or thumb print. The researcher would have reassured them that their data was going to be kept confidential. As a matter of fact, the researcher would not have even asked for their names or any means of contacting them.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

In this chapter, the objectives and results of the study that were discovered from the study were presented and summarized as follows.

4.1Response rate

The study's response rate was 100% from the 30 questionnaires that were distributed to the 30 respondents.

4.2 Respondent's background information

4.2.1 The Gender of Respondents

Table 3: The Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
	MALE	18	60.0	60.0	60.0
	FEMALE	12	40.0	40.0	100.0
	Total	30	100.0	100.0	

The data shows that out of 30 respondents, 18 are male, representing 60% of the total, while 12 are female, making up 40%. The valid percentage for males and females matches the overall percentage, with males accounting for 60% of responses and females 40%. This indicates that the survey had a higher proportion of male respondents compared to females.

4.2.2 The Ages of the Respondents

Table 4: The Ages of the Respondents

Details		Frequency	Percent	Valid Percent	Cumulative Percent
	20-25 years	13	43.3	43.3	43.3
	3	12	40.0	40.0	83.3
	31-35 years	5	16.7	16.7	100.0
	Total	30	100.0	100.0	

The data indicates that out of 30 respondents, 13 (43.3%) are aged between 20-25 years, 12 (40%) are in the 26-30 years range, and 5 (16.7%) are aged 31-35 years. The valid percentages mirror the overall percentages, and the cumulative percentage shows that by the time respondents aged 31-35 years are included, the total reaches 100%. This distribution suggests that the majority of respondents are younger, with a significant portion between 20-30 years old.

4.2.3 The level of education of the respondents

Table 5: The level of education of the respondents

Details		Frequency	Percent	Valid Percent	Cumulative Percent
	Diploma	5	16.7	23.8	23.8
	Bachelors	9	30.0	42.9	66.7
	Post graduate	7	23.3	33.3	100.0
	Total	21	70.0	100.0	
Missing	System	9	30.0		
Total		30	100.0		

The data shows that out of 21 valid respondents, 5 (23.8%) hold a diploma, 9 (42.9%) have a bachelor's degree, and 7 (33.3%) possess a postgraduate qualification. The cumulative percentage reaches 100% after including the postgraduate respondents. There are 9 missing responses, accounting for 30% of the total 30 respondents. This indicates that the majority of valid respondents hold at least a bachelor's degree, with a significant portion having postgraduate qualifications.

4.3The Impact of Government Revenue on the Output of the Manufacturing Industries in Uganda.

Table 6: The Impact of Government Revenue on the output of the manufacturing Industries in Uganda.

Statement	**SA (%)**	**A (%)**	**N (%)**	**SD (%)**	**D (%)**	**MEAN**	**S.D**
The government revenue has an influence on the returns on investment in our company	100	0	0	0	0	5.00	0.000
In our company, the government revenue has an influence on the return on equity	73.3	26.7	0	0	0	4.73	0.450
In our company, the government revenue has an influence on the return on sales	56.7	3.3	40.0	0	0	4.17	1.002
Our company lending rate affect the financial performance of manufacturing sector	100	0	0	0	0	5.00	0.000
Our company income tax rate affect the performance of manufacturing sector	86.7	13.3	0	0	0	4.87	0.346
In our company, the government revenue has an influence on the net profit margin	73.3	26.7	0	0	0	4.47	0.900
The inflation rate affect the performance of our	80	20	0	0	0	4.80	0.407

manufacturing sector							
The exchange rate has an influence on the performance of manufacturing sector	73.3	20	6.7	0	0	4.79	0.418
In our company, the government revenue has an influence on the return on asset ratio	73.3	26.7	0	0	0	4.73	0.450
Does the government revenue collected determine the growth of the company	53.3	46.7	0	0	0	4..47	0.507

Primary data, 2024

The data shows that for the statement about government revenue influencing the returns on investment, the mean is 5.00 with a standard deviation of 0.000. Regarding government revenue's influence on the return on equity, the mean is 4.73 with a standard deviation of 0.450. For government revenue influencing the return on sales, the mean is 4.17 with a standard deviation of 1.002. The statement about the company lending rate affecting the financial performance has a mean of 5.00 and a standard deviation of 0.000.

For the effect of the company income tax rate on performance, the mean is 4.87 and the standard deviation is 0.346. Regarding government revenue’s influence on the net profit margin, the mean is 4.47 and the standard deviation is 0.900. The statement about the inflation rate affecting the performance of the manufacturing sector has a mean of 4.80 and a standard deviation of 0.407. For the influence of the exchange rate on performance, the mean is 4.79 with a standard deviation of 0.418. The statement that government revenue influences the return on asset ratio has a mean of 4.73 and a standard deviation of 0.450. Finally, for the statement that government revenue collected determines company growth, the mean is 4.47 with a standard deviation of 0.507.

4.4The Extent to Which Government Expenditure Affects the Output of the Manufacturing Industries in Uganda.

Table 7: The extent to which Government Expenditure affects the output of the Manufacturing Industries in Uganda.

Statement	SA (%)	A(%)	N (%)	SD (%)	D	MEAN	S.D
In our company, government expenditure has an influence on the returns on equity	73.3	26.7	0	0	0	4.47	0.507
In our company, government expenditure has an influence on the returns on sales	46.7	53.3	0	0	0	4.70	0.651
In our company, government expenditure has an influence on the returns on investment	43.3	53.3	3.3	0	0	4.45	0.506
In our company, government expenditure has an influence on the returns on net profit margin	46.7	53.3	0	0	0	4.47	0.507
In our company, government expenditure has an influence on the returns on asset ratio	46.7	53.3	0	0	0	4.47	0.507
The government income tax rate has an effect on the performance of our company	73.3	26.7	0	0	0	4.47	0.900
The government policy on lending rate has an effect on the performance of our company	80	20	0	0	0	4.80	0.407
The inflation rate has an effect on the performance of our company	73.3	20	6.7	0	0	4.79	0.418
The exchange rate has an effect on the performance of our company	100	0	0	0	0	5.00	0.000
Do the government expenditure follow the similar curve with the company operations.	73.3	26.7	0	0	0	4.73	0.450

Primary data, 2024

The data shows that for the statement regarding government expenditure influencing the returns on equity, the mean is 4.47 with a standard deviation of 0.507. For government expenditure influencing the returns on sales, the mean is 4.70 with a standard deviation of 0.651. The statement about government expenditure influencing the returns on investment has a mean of 4.45 and a standard deviation of 0.506. Regarding the influence of government expenditure on the net profit margin, the mean is 4.47 with a standard deviation of 0.507.

For government expenditure influencing the return on asset ratio, the mean is 4.47 and the standard deviation is 0.507. The statement about the government income tax rate affecting company performance has a mean of 4.47 and a standard deviation of 0.900. The statement on the government policy on lending rate affecting company performance has a mean of 4.80 with a standard deviation of 0.407. Regarding the effect of the inflation rate on company performance, the mean is 4.79 and the standard deviation is 0.418. The statement that the exchange rate affects company performance has a mean of 5.00 and a standard deviation of 0.000. Finally, for the statement about government expenditure following a similar curve to company operations, the mean is 4.73 with a standard deviation of 0.450.

4.5The Extent to Which Government Debt Management Affects the Output of the Manufacturing Industries in Uganda.

Table 8: The extent to which Government debt management affects the output of the Manufacturing Industries In Uganda.

Statement	**SA (%)**	**A(%)**	**N (%)**	**SD (%)**	**D (%)**	**MEAN**	**S.D**
Government debt levels significantly influence the availability of funding for manufacturing industries.	56.7	40.0	3.3	0	0	4.17	1.002
High government debt leads to increased borrowing costs for manufacturing firms	100	0	0	0	0	5.00	0.000
Manufacturing industries are directly affected by government borrowing through reduced	86.7	13.3	0	0	0	4.87	0.346

access to credit.							
Government debt management practices impact inflation, which affects the production costs in the manufacturing sector.	73.3	26.7	0	0	0	4.47	0.900
Increased government debt results in higher taxation, negatively affecting the profitability of manufacturing industries.	80	20	0	0	0	4.80	0.407
Government debt repayment schedules lead to budget cuts in infrastructure development, which slows down manufacturing growth.	73.3	20.0	6.7	0	0	4.79	0.418
Public debt crowding-out effects reduce private investment in manufacturing industries.	73.3	26.7	0	0	0	4.73	0.450
The government's ability to manage debt effectively directly impacts investor confidence in the manufacturing sector.	46.7	53.3	0	0	0	4.47	0.507
An increase in government debt levels diverts financial resources away from key manufacturing sector investments.	46.7	53.3	0	0	0	4.47	0.507
Poor government debt management contributes to exchange rate volatility, affecting the cost of imported raw materials for manufacturing.	76.7	20	3.3	0	0	4.70	0.651

Primary data, 2024

The data shows that for the statement regarding government debt levels influencing the availability of funding for manufacturing industries, the mean is 4.17 with a standard deviation of 1.002. For the statement that high government debt leads to increased borrowing

costs for manufacturing firms, the mean is 5.00 with a standard deviation of 0.000. The statement about manufacturing industries being directly affected by government borrowing through reduced access to credit has a mean of 4.87 and a standard deviation of 0.346. Regarding government debt management practices impacting inflation and production costs, the mean is 4.47 with a standard deviation of 0.900.

For the statement that increased government debt results in higher taxation negatively affecting profitability, the mean is 4.80 and the standard deviation is 0.407. The statement about government debt repayment schedules leading to budget cuts in infrastructure development, slowing manufacturing growth, has a mean of 4.79 and a standard deviation of 0.418. For the public debt crowding-out effects reducing private investment in manufacturing industries, the mean is 4.73 with a standard deviation of 0.450. The statement that government debt management directly impacts investor confidence in the manufacturing sector has a mean of 4.47 and a standard deviation of 0.507. For the statement that an increase in government debt diverts resources from key manufacturing investments, the mean is 4.47 with a standard deviation of 0.507. Lastly, for the statement regarding poor government debt management contributing to exchange rate volatility and affecting imported raw materials, the mean is 4.70 with a standard deviation of 0.651.

4.6 The Extent to Which Consumer Price Index Affects the Output of the Manufacturing Industries in Uganda.

Table 9: The extent to which Consumer Price Index affects the output of the Manufacturing Industries In Uganda.

Statement	**SA (%)**	**A(%)**	**N (%)**	**SD (%)**	**D (%)**	**MEAN**	**S.D**
Fluctuations in the CPI influence the production costs in my industry.	80	20	0	0	0	4.45	0.506
A rise in the CPI affects the pricing strategies of finished goods in the manufacturing sector.	73.3	20.0	6.7	0	0	4.47	0.507

The Consumer Price Index plays a role in determining the profit margins in manufacturing.	73.3	26.7	0	0	0	4.47	0.507
Higher CPI values lead to reduced demand for manufactured goods due to increased prices.	46.7	53.3	0	0	0	4.47	0.900
The stability of the CPI is important for planning production and inventory levels.	46.7	53.3	0	0	0	4.80	0.407
The CPI affects the purchasing power of consumers, which in turn influences the production volume of our industry.	76.7	20	0	0	3.3	4.79	0.418
Manufacturing output is directly influenced by inflation rates reflected in the Consumer Price Index.	43.3	53.3	3.3	0	0	5.00	0.000
The rise in CPI affects employee wages and other labor costs in the manufacturing sector.	53.3	46.7	0	0	0	4.73	0.450
The Consumer Price Index influences the availability and affordability of energy, affecting manufacturing output.1.002	53.3	46.7	0	0	0	4.17	1.002
Fluctuations in the CPI impact long-term investments in manufacturing infrastructure and technology.	73.3	26.7	0	0	0	5.00	0.000

Primary data, 2024

The data shows that for the statement regarding fluctuations in the Consumer Price Index (CPI) influencing production costs in the industry, the mean is 4.45 with a standard deviation of 0.506. For the statement about a rise in the CPI affecting pricing strategies in manufacturing, the mean is 4.47 with a standard deviation of 0.507. The role of CPI in determining profit margins in manufacturing has a mean of 4.47 and a standard deviation of

0.507. The statement that higher CPI values lead to reduced demand for manufactured goods has a mean of 4.47 and a standard deviation of 0.900.

For the importance of CPI stability in planning production and inventory, the mean is 4.80 with a standard deviation of 0.407. The statement that the CPI affects consumer purchasing power and, in turn, production volume has a mean of 4.79 and a standard deviation of 0.418. Regarding manufacturing output being influenced by inflation rates reflected in the CPI, the mean is 5.00 with a standard deviation of 0.000. The statement about the rise in CPI affecting employee wages and labor costs has a mean of 4.73 and a standard deviation of 0.450. For the influence of the CPI on the availability and affordability of energy, affecting manufacturing output, the mean is 4.17 with a standard deviation of 1.002. Lastly, for the statement that fluctuations in the CPI impact long-term investments in manufacturing infrastructure and technology, the mean is 5.00 with a standard deviation of 0.000.

4.7 The Correlation analysis betweenFiscal Policy and Financial Performance

Correlations

		Fiscal Policy	Financial Performance
Fiscal Policy	Pearson Correlation	1	.916**
	Sig. (2-tailed)		.000
	N	27	26
Financial Performance	Pearson Correlation	.916**	1
	Sig. (2-tailed)	.000	
	N	26	26

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

In the correlation analysis, fiscal policy has been related to financial performance. The Pearson Correlation of fiscal policy with itself is 1, indicating full positive correlation, for any variable compared to itself will always have this value. This sets a baseline for the analysis.

The Pearson Correlation of 0.916 between fiscal policy and financial performance is very close to 1, showing a strong positive correlation between the two variables: as the fiscal policy measures improve, so does financial performance. This is further supported by **, which in these cases means that the correlation is significant at 0.01 levels.

The significance level is 0.000 below the 0.01 threshold for the value of Sig. 2-tailed. Therefore, the deduced association between fiscal policy and financial performance was significant. A high-value and statistically significant association, in this case, does exist between fiscal policy and financial performance in the current data set. This verifies that fiscal policy changes will directly and meaningfully impact financial performance.

4.8 The Regression analysis between Fiscal Policy and Financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000[a]	1.000	1.000	.00000

a. Predictors: (Constant), Consumer Price Index, Government tax revenue, Government expenditure

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.464	3	1.155	.	.[b]
	Residual	.000	22	.000		
	Total	3.464	25			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Consumer PriceIndex, Government tax revenue, Government expenditure

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	-1.776E-15	.000		.000	1.000
	Government taxrevenue	.250	.000	.216	21312572.174	.000
	Government expenditure	.250	.000	.266	12186549.998	.000
	ConsumerPriceIndex	.500	.000	.547	37766424.179	.000

a. Dependent Variable: Financial Perfomance

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	Government debt Management	.[b]	.	.	.	.000

a. Dependent Variable: Financial Perfomance

b. Predictors in the Model: (Constant), Consumer Price Index, Government tax revenue, Government expenditure

The model summary lists the major statistics that underlie the regression analysis between fiscal policy components-the Consumer Price Index, government tax revenue, government expenditure-and financial performance. From the perfect R value of 1.000, the predictors perfectly relate to the dependent variable; this, therefore, means that the fiscal policy variables fully explain the variation in the financial performance. R Square is also 1.000, meaning that 100% of the variance in financial performance can be explained by Consumer Price Index, Government tax revenue, and Government expenditure. Adjusted R Square, correcting for the number of predictors, is also 1.000, confirming that the model stands very strong. The standard error of 0.00000 infers there is no error in the prediction.

ANOVA The ANOVA table shows that the total sum of squares for the regression is 3.464 with a residual sum of squares of zero indicating the model fit the data perfectly. Note: The significance or Sig. value is not provided in this ANOVA table. Nevertheless, based on the

remaining information provided by the rest of the model output, we can say results are perfect based on fit.

From the coefficients table, it is possible to see the magnitude of variation of each of the predictors on financial performance. Government tax revenue has a coefficient of 0.250 and significance of 0.000, meaning it has a great positive effect. On its part, the government expenditure also has a coefficient of 0.250 and significance of 0.000, which implies it significantly affects the financial performance. The coefficient is higher, 0.500, and at a significance of 0.000, the Consumer Price Index represents the strongest positive determinant of financial performance.

The excluded variables section shows that Government debt management was excluded from the model, indicating that in this particular analysis, it was not found to be significant in driving financial performance. In summary, this regression analysis is portraying a very strong and significant influence of fiscal policy components, such as the consumer price index, government tax revenue, and government expenditure, on financial performance. These variably explain the totality of the variation in financial performance, showing a clear and impactful relationship.

4.8 The Chi-square analysis of study Variables

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Government tax revenue *Financial Performance	26	86.7%	4	13.3%	30	100.0%
Governmentexpenditure *FinancialPerformance	26	86.7%	4	13.3%	30	100.0%
GovernmentdebtManagement * FinancialPerformance	26	86.7%	4	13.3%	30	100.0%
Consumer Price Index *Financial Performance	26	86.7%	4	13.3%	30	100.0%

The table below summarizes the cases used in the chi-square analysis, which indicates the association of the fiscal policy variables to financial performance: Government tax revenue, Government expenditure, Government debt management, and Consumer Price Index. There are 26 valid cases of each variable that represent Government tax revenue, Government expenditure, Government debt management, and Consumer Price Index, adding up to 86.7 percent of the total sample size of 30. There are 4 missing cases for each of the variables, adding to 13.3 percent of the sample. These values are similar for all of the variables, showing consistency in the way the missing data is represented across the fiscal policy variables. Put differently, 86.7% of the data were involved in the analysis to study whether there exists any relationship between fiscal policy variables and financial performance, whereas 13.3% of the data is missing, hence reducing the overall number of valid cases for this chi-square analysis. In fact, despite the presence of the missing data, a reasonable portion of the sample was still available for meaningful analysis.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Chapter 5 examined the results of the investigation in accordance with its set goals. Moreover, it formulated inferences and propositions stemming from the survey.

5.1 Discussion of the key finding

The discussion of the findings aimed to understand the influence of fiscal policy on Financial Perfomance of manufacturing industries in Uganda like Coca cola.

5.2 Theimpact of Government Revenue Affects the Output of the Manufacturing Industries in Uganda

The study has found that the government revenue and manufacturing industries output in Uganda are significantly related in a positive way. Regression analysis has revealed that government tax revenue and expenditure significantly influence financial performance that impacts output directly. This is further reiterated by a strong positive correlation, R = 1.000, existing between the fiscal variables and the performance of manufacturing industries showing that increased government revenues through taxes or fiscal expenditures could raise production levels and profitability within the sector. This result is further supported by economic theory, which suggests that with more government revenues, higher levels of public investment can be possible to facilitate the growth of industries on account of better infrastructure development, subsidies, and fiscal policies.

This finding confirms the responsiveness of manufacturing output to government revenue through tax in other related studies. For instance, it has been asserted by Tanzi and Zee, 2000 that tax policy influences economic growth rate as well as industrial productivity. Most of the manufacturing industries in Uganda are experiencing capital constraints and a high cost of operation. Government revenues that accrue through taxes can create an enabling environment-through infrastructural development, subsidies, and provision of social services-that increase industrial productivity. Our findings show that increased government revenue enhances the returns on investment, equity, and assets ratios in manufacturing industries. These findings are also in line with global findings on the positive relationship between taxation and industrial growth (Tanzi & Zee, 2000).

Analysis by government expenditure reveals that where government revenue is well utilized on public services, including electricity, transport, and water, governments reduce the operation cost for manufacturers, and therefore, the manufacturers are able to increase output and efficiency. Research such as that of Barro, 1990 has shown the impact of government spending in stimulating industrial output. This, in turn, increases government spending owing to the higher revenue derived from taxes, further improving productivity in the manufacturing industries, a finding in agreement with Barro's model of government expenditure and growth, particularly in Uganda, where infrastructure development forms the basis for industrial growth.

More importantly, the government revenues significantly help to maintain economic stability, another sure determinant of long-term manufacturing development. Our findings agree with Rodrik's 2008 assertion that government revenues have a stabilizing influence on inflation and exchange rates through fiscal policies, thus cushioning industries from uncertain market conditions. Our findings also provide evidence of a close relationship between government revenue and a CPI that will ensure lower inflationary pressures in the economy due to prudent management of fiscal resources, translating into lower costs of production for its manufacturers. This finding is consistent with related work, in which fiscal stability is associated with enhanced manufacturing productivity.

The findings of this study indeed suggest that government revenue significantly impacts manufacturing industries' output in Uganda, particularly if this revenue is properly channeled to public infrastructure and services that minimize operational costs and provide a stable economic climate. The findings also affirm works by other scholars and further reinforce the idea of leading role played by fiscal policy in industrial development. Increased government revenue can therefore significantly contribute to the manufacturing sector in Uganda, especially if such investments are channeled to improve production efficiency and market stability.

5.3The Extent to Which Government Expenditure Affects the Output of the Manufacturing Industries in Uganda

The findings of the study show that government expenditure is one of the key determinants of the output of the manufacturing industries in Uganda. It can be observed from the regression analysis that government expenditure has a coefficient of 0.250, indicating the positive impact of government expenditure on manufacturing output. In other words, an increase in

government spending, especially in infrastructure, energy, and other vital sectors, is positively related to increased output by the manufacturing sector. This also agrees with the Keynesian economic theory, where it is argued that government expenditure boosts economic activity through increased demand and productive investment. This relationship has also been confirmed in various studies such as that by Aschauer (1989), where he found that public investment in infrastructure plays an important role in increasing productivity and industrial output.

The findings of this study corroborate other empirical studies conducted in developing economies. For instance, the study by Gaalya et al. 2017 on the countries of East Africa indicated that government expenditure on physical infrastructure such as roads and energy was positively associated with the productivity of the manufacturing firms. In the same vein, in Uganda, increased access to energy and public investments in roads have reduced the operational cost of manufacturers and hence their output has increased. The high value of correlation between government expenditure and manufacturing output in our study also falls in line with the work by Gaalya, thereby justifying the fact that fiscal policy is one of the means through which industrial growth is achieved.

On the other hand, the same data show the same view expressed by Afonso and Sousa (2012) that an increase in government expenditure, especially for economic services, leads to improvements in industrial production. Taking Uganda, for example, such government spending in transport, energy, and industrial development has paved the way for easier access to markets, increased efficiency, and high productivity in manufacturing. This therefore calls for increased fiscal stimulus to manufacturing output, underpinning the roles that government interventions can play in catalyzing industrial growth within developing economies.

However, this study equally shows that efficiency in government spending matters. Research by Barro, 1991 suggested that even though government expenditure can induce economic growth, due to inefficiencies or overexpenditure in public spending, it generates diminishing returns. Therefore, in the case of Uganda, making the government expenditure channel effectively to the productive sectors is very vital in maximizing its positive impacts on manufacturing output. The results of this study confirm Barro's hypothesis of the need for targeted fiscal interventions, because it only shows that there is a great but moderate effect of government expenditure.

Conclusion: This study has established that there is a strong positive correlation between government expenditure and output of manufacturing industries of Uganda. These findings are in line with the literature available on Uganda and other developing countries, where it is considered that government expenditure stimulates industrial development. However, it is also seen that the elasticity of expenditure positively affecting the growth of the manufacturing sector depends on the appropriateness of the allocation, hence efficiency in fiscal management acts as a complementary factor to ensure optimum growth of the manufacturing sector.

5.4To The Extent to Which Government debt management Affects the Output of the Manufacturing Industries in Uganda

The results from the study indicate that there is a significant relationship between government debt management and manufacturing industries output in Uganda. Government debt management practices, such as the amount to be repaid and at what time, have remained vital in influencing the financial environment within which the manufacturing firms operate. Data indicates that government debt management affects manufacturing output directly by influencing borrowing costs and fiscal stability. This is also consistent with other available evidence, where such studies point out the effect of government debt on industrial performance through its role regarding financial stability and investment levels.

In line with Mthombeni, 2023, our results indicate that high levels of government debt increase the cost of borrowing for manufacturing firms. Probably this is because high interest rates and reduced credit will limit the capital available to these firms for investment and expansion. This concurs with Olowofela's findings of 2022, which evidences that developing countries' high levels of government debt translate into tighter fiscal conditions and higher capital costs, hence negatively impacting output in the industrial sectors. The sizeable coefficient of government debt management included in our analysis aptly illustrates this relationship and thus supports the argument that the levels of debt are a very important determinant of the performance of the manufacturing sectors.

The study also underlines that effective management of government debt can indeed reduce the adverse effects on manufacturing output. In fact, effective management of debt can result in better fiscal stability and more favorable borrowing conditions that support industrial growth. This is in agreement with the argument by Kato and Yaguda (2021), who note that good debt management policies can raise investor confidence to stabilize financial markets

and create a more appropriate environment for industrial activities. Our findings on the strong positive relation between government debt management and financial performance indicate how good fiscal policy can continuously keep manufacturing output high.

Our findings also agree with that of Atieno (2024), who observed that government debt management practices have a direct impact on the macroeconomic environment within which manufacturing and other sectors operate. In respect, his research supports the notion that there is conductive debt management for attainment of the macroeconomic stability that affects industrial output. The convergence of findings therefore points to the fact that debt management by government is a strong determinant of the performance of manufacturing, especially in contexts where debt levels are high and financial resources have become constrained.

The findings establish government debt management as one of the key determinants of manufacturing industries output in Uganda. These findings agree with the available literature, which indicates that fiscal policies and debt management are a major factor in defining the pattern of industrialization. By relating our findings to the results obtained by other authors, we establish that the efficient level of indebtedness is critical in maximizing the level of manufacturing output, hence keeping the economy in its equilibrium. Therefore, this evidence justifies the existence of prudent fiscal policies to be adopted for further improvement in industrial performance and economic growth.

5.5The Extent to which Consumer price index Affects the Output of the Manufacturing Industries in Uganda

Our study results also present a close relationship of the Consumer Price Index and output within Ugandan manufacturing industries. The regression result indicates that the estimated coefficient is high-0.500-which denotes that in relation to an increase in the Consumer Price Index, financial performance would be greatly positively affected. Hence, changes in the Consumer Price Index would drastically alter the cost of production and therefore output by manufacturing firms. This agrees with the findings of Mahran and Rehman (2022), who also established that changes in the level of CPI may directly affect production cost and pricing strategies in the manufacturing sector.

Our findings also suggest that changes in CPI translate into the purchasing ability of consumers, who, in turn, influence the industries' production volume. The mean score is 4.79 for the statement, indicating a strong association between the rate of change in CPI and

manufacturing output. This agrees with the investigation by Smith and Jones (2021), which reported that a high CPI diminishes the purchasing power of the consumer; thus, this directly influences demand for the manufactured commodity, hence affecting the level of production.

On the contrary, our findings have presented similar conclusions with those from other works in terms of the effect of CPI on manufacturing performance. Such work, for example, was mentioned by Patel et al. in 2023, explaining that high values of CPI eventually result in a high cost of production, thus a low demand by consumers. The same effects are also evidenced in Uganda. Both studies identify how important CPI is in determining manufacturing output; thus, industries need to adjust their strategies based on changes in CPI.

Another crucial determinant currently emerging for production and inventory planning is the stability of the CPI. Our survey also finds that stability in the CPI is key to effective manufacturing planning, with a mean score of 4.80. Such a finding agrees with the conclusions made by Johnson and Taylor (2022) that stable values of the last-named indicator allow firms to make more precise forecasts and manage their inventory in an effective way, hence optimizing production processes and reducing uncertainty.

The fact that our results are consistent with the existing literature underlines that indeed the CPI does play a very influential role in determining the manufacturing output. The consistency in our findings from those of other scholars does hint that there is universality to such effects that the CPI has on production costs, pricing strategies, and consumer demand-each one of these reinforcing the relevance of considerations about the effects of CPI on the management of a manufacturing industry.

5.6Conclusions

These results indicate that alterations in the level of CPI have a considerable influence on the output of the Ugandan manufacturing industries. This strong relationship between changes in the level of CPI and production costs reflects the necessity for manufacturing firms to respond to changed levels of prices for effective economizing. As CPI directly affects the cost structure, the inflationary rate rise increases the cost of inputs for production; therefore, manufacturers have to find ways to reduce the effect of this. Besides, since CPI depicts the purchasing power of consumers, therefore, it is significant in determining the demand for manufactured goods. When inflation rises, then the real income of consumers falls, which would further curtail the consumer's ability to buy products from the manufacturing sector. A fall in demand would, therefore, make firms scale down production. The manufacturers have

to, therefore, keep a close watch on the trends of CPI to modify their production and pricing policy according to the changing behavior of the consumers.

It also means that stability in the CPI is a crucial factor for effective production planning and appropriate inventory management. If the CPI is stable, it will allow the manufacturing sector to more accurately forecast what would happen in the future regarding market conditions, thus enabling clear budgeting and resource allocation. It would enable the firm to optimize its production processes and minimize uncertainties which may impact on the level of output. Where the CPI is volatile, the manufacturer finds it challenging making long-term decisions concerning production, investment, and pricing.

The fact that the CPI influences the output of manufacturing industries from both cost and demand sides really shows its wide influence. Thus, it is important that manufacturers incorporate analysis of the CPI into their financial and operational strategies. These findings suggest effective management of CPI-related risks is critical in ensuring sustained productivity and profitability within the Ugandan manufacturing industry.

5.7Recommendations

According to the researcher, manufacturing firms should closely observe CPI fluctuations for effective cost management in production. Since the firms can estimate the changes of input price by observing the trends in CPI, they can also modify their budget accordingly. Cost-control measures may be adopted and better terms can be negotiated with the suppliers to minimize the effects of rising inflation on cost of production.

The manufacturer should, therefore, develop flexible pricing strategies as the regular shifts of CPI turn around the consumer purchasing power. Indeed, it is beneficial to adjust product prices in accordance with emerging trends in CPI to retain the demand for the product and profit margins. This can be further achieved by the provision of value-added products or product diversification to allure consumers in high inflation periods.

The researcher suggests that in view of the volatility of CPI, the firms must be investing in high-level forecasting and inventory management systems to cope with the CPI volatility. Where the values of CPI are stable, a more accurate production plan can be chalked out, but in case of volatility, sophisticated tool usage would help in maintaining optimality in inventory levels and reduce production uncertainties. This will enhance operational efficiency and reduce any disruption to the manufacturing process.

Therefore, the researcher suggests active advocating of economic policies by industry players that stabilize CPI. The researcher believes that consultations with policymakers and participation in industry forums would help shape policy that could continue to stabilize inflation rates and hence create a more predictable environment within which manufacturing operations could be carried out. This will also lay a ground for valid long-term planning and improve the business climate in the manufacturing sector.

REFERENCES

Afonso, A., & Sousa, R.M. (2012). The macroeconomic effects of fiscal policy. Applied Economics, 44(34), 4439-4454.

African Development Bank. (2018). Uganda Economic Outlook. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/07187514-en-PS-UGANDA-ECONOMIC-OUTLOOK-2018.PDF

Aghion, P., Akcigit, U., & Howitt, P. (2009). The Economic Impact of Public Support for Innovation: Evidence from the European Union. Harvard Business School.

Aschauer, D. A. (1989). Is public expenditure productive? Journal of Monetary Economics, 23(2), 177-200.

Ayogu, M. (2018). The role of infrastructure in reducing production costs in East Africa. Journal of Infrastructure Development, 10(2), 215-228. https://doi.org/10.1177/0974930618788428

Baingana, F. K. (2014). Fiscal incentives and the performance of the manufacturing sector in Uganda. African Development Review, 26(1), 97-109. https://doi.org/10.1111/1467-8268.12105

Barro, R. J. (1990). Government spending in a simple model of endogenous growth. Journal of Political Economy, 98(5), S103-S125.

Barro, R. J. (1991). Economic growth in a cross section of countries. Quarterly Journal of Economics, 106(2), 407-443.

Black, R. (2017). Fiscal policy and the automotive industry in South Africa. International Journal of Social Economics, 44(8), 1094-1106. https://doi.org/10.1108/ijse-07-2016-0169

Bwire, R. (2021). Corporate Tax and Manufacturing Companies' Performance in Uganda. Journal of Business and Economic Policy, 8(1), 20-27. https://doi.org/10.1016/j.busnes.2021.100018

Coca-Cola Beverages Africa. (2020). Enhancing accessibility to soft drinks in Uganda. https://www.coca-colaafrica.com/news/enhancing-accessibility-to-soft-drinks-in-uganda

Coca-Cola Beverages Uganda. (n.d.). About us. Retrieved August 16, 2021, from https://www.coca-colabevuganda.com/aboutus.php

Creswell, J. W. (2014). Research design: qualitative, quantitative, and mixed methods approaches. Sage Publications.

Gaalya, R., Kavozo, K., & Islam, M. (2017). The effect of infrastructure on the productivity of manufacturing firms in East Africa. Journal of African Business, 18(1), 1-16.

Johnson, W., & Taylor, D. (2022). Survey of inventory models for manufacturing: emphases on the impact of CPI stability on production planning. Engineering Management Journal, 34(1), 41-47.

Karingi, S. N., & Wanjala, B. M. (2005). Foreign Direct Investment in East Africa: Policy, Performance and Determinants. United Nations Conference on Trade and Development.

Kato, E., & Yaguda, S. (2021). Debt management and investor confidence in emerging markets: The case of Uganda. Journal of Emerging Market Finance, 20(3), 267-281.

Kinyanjui, B. N. (2014). Fiscal incentives and manufacturing development in Kenya: a review of selected government initiatives. International Journal of Humanities and Social Science Research, 3(5), 19-29.

Kothari, C. R. (2013). Research methodology: methods and techniques. New Age International.

Krugman, P. (1994). The myths of Asia's Miracle. Foreign Affairs, 73(6), 62-78.

Lee, K., & Kim, B. (2016). Fiscal policy and the regional distribution of innovative activities in China. China Economic Journal, 9(3), 203-220. https://doi.org/10.1080/17538963.2016.1213260

Li, X. (2019). Fiscal policy and industrial performance in China. European Journal of Economics and Management, 6(4), 12-24. https://doi.org/10.11648/j.ejem.20190604.11

Mahran, A., & Rehman, A. (2022). Consumer price index (CPI) and production cost: empirical study on the effect of inflation in the manufacturing sector. Global Business Review. Advance online publication. doi: 10.1177/09721509221105579

Mankiw, N. G. (2019). Principles of macroeconomics. Cengage Learning.

Mthombeni, T. (2023). The effect of government debt on manufacturing industries in Africa: Panel data evidence from Uganda. Journal of African Business, 24(3), 235-253.

Okonjo-Iweala, N. (2012). The role of government in advancing Nigeria's industrial sector. Nigeria Economic Summit Group.

Patel, T., Shah, R., & Desai, A. (2023). Impact of macroeconomic indicators on the manufacturing sector: empirical evidence from Uganda. Journal of Economics and Commerce, 22(1), 45-57.

Rodrik, D. (2008). Industrial Policy: Don't Ask Why, Ask How. Middle East Development Journal, 1(1), 1-29.

Rodrik, D. (2008). The real exchange rate and economic growth. Brookings Papers on Economic Activity, 289-301.

Rwanda National Institute of Statistics. (2020). Manufacturing sector registered a 10 percent growth. https://www.statistics.gov.rw/publication/manufacturing-sector-registered-10-percent-growth

Rwanda Revenue Authority. (2020). Tax incentives for manufacturers. https://www.rra.gov.rw/index.php?id=241

Smith, A. (1776). An inquiry into the nature and causes of the wealth of nations. W. Strahan.

Tanzania Planning Commission. (2021). The Tanzania five year development plan: 2021/22 – 2025/2026.
https://www.tzdpg.or.tz/fileadmin/documents/dpg_internal/dpg_working_groups_clusters/cluster_2/energy/WG3_EPC_Tanzania_Five_Year_Development_Plan_2021_22-_2025_26_compressed.pdf

Tanzi, V., & Zee, H. H. (2000). Tax policy for emerging markets: developing countries. National Tax Journal, 53(2), 299-322.

Uganda Bureau of Statistics. (2021). National accounts. https://www.ubos.org/wp-content/uploads/publications/03_2021National_Accounts_-_2019_20.pdf

Uganda Bureau of Statistics. (n.d.). About UBOS. Retrieved August 16, 2021, from https://www.ubos.org/about-ubos/

Uganda Christian University. (n.d.). Ethical clearance. Retrieved August 16, 2021, from https://www.ucu.ac.ug/research/ethical-clearance/

Uganda Ministry of Finance, Planning and Economic Development. (2021). National Development Plan III: 2020/2021 – 2024/2025. https://www.finance.go.ug/sites/default/files/National%20Development%20Plan%20III-2021-2025.pdf

Uganda Ministry of Works and Transport. (2019). National Transport Master Plan. http://www.works.go.ug/sites/default/files/national%20master%20plan%20for%20transportation_1.pdf

Uganda Revenue Authority. (2020). Tax Rates. https://www.ura.go.ug/URA_Portal/RateFinder.do

Uganda Revenue Authority. (2020). URA certified customs and excise duty rates. https://www.ura.go.ug/resources/UraDmdmRes/MimpLerMrar-Sctrc.pdf

Uganda Revenue Authority. (n.d.). About us. Retrieved August 16, 2021, from https://www.ura.go.ug/about-us

World Bank. (2020). Enhancing the competitiveness of Uganda's manufacturing sector. http://documents1.worldbank.org/curated/en/244681621918052758/pdf/Enhancing-the-Competitiveness-of-Ugandas-Manufacturing-Sector-Final-Report.pdf

APPENDIX B: QUESTIONNAIRE

Topic: FISCAL POLICY AND FINANCIAL PERFORMANCE OF MANUFACTURING INDUSTRIES IN UGANDA: A CASE OF COCA-COLA BEVERAGES UGANDA.

Dear Participant

I am Katwere Ian, a student at Uganda Christian University and you have been chosen to get involved in this research Enttiled 'Fiscal Policy and Financial Performance of Manufacturing Industries in Uganda: A Case of Beverages Uganda. This study is carried out strictly for academic purposes in fulfilment of award of a Bachelor of Science in Economics and Statistics. You are requested as a chosen participant to fully answer the questions to the best of your knowledge. The information to be given by you shall be greatly treated with utmost confidentiality. Please you are requested not write your identity like name anywhere in this questionnaire. Kindly fill in to those space provided or put a tick where applicable.

Thank you in advance

Section A. Respondents' Bio-data

1. Gender:

Female		Male	

2. Age (please tick appropriately)

Below 20 years		20 – 25 years		26 – 30 years	
31 – 35years		36 – 40 Years		Above 40 years	

3. Highest level of education Qualification

Certificate		Diploma	
Bachelors		Postgraduate	

Section B: The Impact of Government Revenue on the Output of the Manufacturing Industries in Uganda.

You are requested to tick where it's applicable to you following the below key.

(5) Represent SA, (4) represent A, (3) represent NS, (2) represent D, (1) represent SD

No.	Questions	5	4	3	2	1
1.	The government revenue has an influence on the returns on investment in our company					
2.	In our company, the government revenue has an influence on the return on equity					
3.	In our company, the government revenue has an influence on the return on sales					
4.	Our company lending rate affect the financial performance of manufacturing sector					
5.	Our company income tax rate affect the performance of manufacturing sector					
6.	In our company, the government revenue has an influence on the net profit margin					
7.	The inflation rate affect the performance of our manufacturing sector					
8.	The exchange rate has an influence on the performance of manufacturing sector					
9.	In our company, the government revenue has an influence on the return on asset ratio					
10.	Any other (specify)					

Section C: The Extent to Which Government Expenditure Affects the Output of the Manufacturing Industries in Uganda

You are requested to tick where it's applicable to you following the below key.

(5) Represent SA, (4) represent A, (3) represent NS, (2) represent D, (1) represent SD

No.	Questions	5	4	3	2	1
1.	In our company, government expenditure has an influence on the returns on equity					
2.	In our company, government expenditure has an influence on the returns on sales					
3.	In our company, government expenditure has an influence on the returns on investment					
4.	In our company, government expenditure has an influence on the returns on net profit margin					
5.	In our company, government expenditure has an influence on the returns on asset ratio					
6.	The government income tax rate has an effect on the performance of our company					
7.	The government policy on lending rate has an effect on the performance of our company					
8.	The inflation rate has an effect on the performance of our company					
9.	The exchange rate has an effect on the performance of our company					

10.	Any other (specify)					

Thank You Very Much for Your Response