The Contributions of Exports to Economic Growth. A Confirmation of Export-Led Growth Hypothesis in Uganda.

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ABSTRACT

This study examines the contributions of exports to economic growth in Uganda. An Autoregressive Distributed Lag (ARDL) modelling framework was employed. Using annual data spanning 35 years, the study first tests for stationarity and integration of variables through Augmented Dickey-Fuller (ADF) tests, revealing that GDP, exports, FDI, and exchange rate are I(1), while inflation is I(0). The ARDL Bounds Test confirms the presence of a significant long-run cointegrating relationship among these variables, justifying the estimation of both long-run coefficients and an Error Correction Model (ECM) for short-run dynamics. Long-run results indicate that FDI positively influences GDP, while exports and currency depreciation exhibit negative coefficients, although these effects are statistically insignificant, suggesting potential model limitations or omitted factors. In contrast, short-run results highlight the immediate positive impacts of lagged exports, FDI, exchange rate depreciation, and inflation on economic growth, with the ECM term confirming adjustment toward long-run equilibrium. Robust diagnostic tests, including Jarque-Bera, Breusch-Godfrey, and Breusch-Pagan-Godfrey, validate the model's assumptions of normality, absence of serial correlation, and homoskedasticity. The findings suggest that Uganda's economic growth is influenced more by short-run momentum and lagged macroeconomic factors than by long-run structural effects of agricultural exports, underscoring the need for policies that enhance the efficiency of export sectors, attract FDI, and stabilize macroeconomic conditions.

Keywords: Agricultural exports, Economic growth, ARDL, Foreign direct investment, Exchange rate

INTRODUCTION

Economic growth is widely recognized as a central driver of national development, underpinning job creation, poverty reduction, and long-term structural transformation. Historical evidence shows that economies which successfully integrated into global markets through export-oriented growth strategies have generally achieved faster and more sustained development (Acemoglu & Robinson, 2019). The twentieth century witnessed an unprecedented rise in global output, with world GDP per capita increasing nearly fivefold, driven largely by post-war reconstruction, trade liberalization, and the expansion of international commerce under multilateral frameworks (Dani, 2013). These developments reinforced the role of exports as a key engine of growth by enabling countries to exploit comparative advantage, expand markets, and accumulate foreign exchange. The experiences of East Asian economies provide some of the strongest empirical support for export-led growth. China's remarkable average growth rate of about 9.5 percent between 1979 and 2019 was firmly anchored in export-oriented industrialization and deep integration into global value chains, eventually making it the world's largest merchandise exporter (World Bank, 2021; WTO, 2020). Similarly, Singapore's transformation from a low-income to a high-income economy was driven by sustained trade openness, with exports exceeding GDP and serving as the backbone of growth in a small, open economy (Huo, 2021). These cases highlight the channels through which exports stimulate growth, including economies of scale, technology transfer, productivity gains, and enhanced competitiveness.

In Sub-Saharan Africa (SSA), however, the export–growth relationship has been far less straightforward. Despite policy commitments to export-led development, many SSA countries experienced stagnating or declining per capita incomes between 1960 and 1990 due to structural constraints, limited industrial capacity, and rapid population growth (Rodney, 1982). Agriculture dominated output and employment, but chronic underinvestment, weak infrastructure, and policy distortions constrained productivity and reduced the growth impact of agricultural exports (Andargie, 2015). Consequently, export performance in the region remained highly vulnerable to global price volatility and external demand shocks, resulting in unstable growth outcomes (Xinshen, 2007). Against this regional backdrop, Uganda provides a compelling case for examining the export–growth nexus. Since the early 1990s, Uganda has recorded relatively strong and consistent economic growth, averaging 6–7 percent annually, placing it among the faster-growing economies in SSA (World Bank, 2018). This growth has coincided with gradual structural transformation, marked by a declining share of agriculture in GDP, rapid expansion of services, and modest industrial growth (AfDB, 2022; Ministry of Finance, 2016). Nevertheless, agriculture remains central to the economy, accounting for over 70 percent of export earnings and supporting the livelihoods of most of the population (Kraybill & Michael, 2009).

Uganda's export structure combines traditional and non-traditional exports. Traditional agricultural commodities, coffee, cotton, tea, and tobacco, have long dominated foreign exchange earnings, with coffee alone generating about USD 845 million in 2023 (UBOS, 2024). Since the 2000s, non-traditional exports such as gold, fish, horticulture, manufactured goods, and petroleum re-exports have expanded, with gold emerging as the largest export earner (BoU, 2024). Despite this diversification, exports remain highly concentrated, and the export-to-GDP ratio has averaged only 20–25 percent over the past two decades, well below levels observed in successful export-led economies (UNCTAD, 2023).

This pattern reveals a key challenge in Uganda's growth strategy. Although exports have grown in absolute terms, their contribution to sustained economic growth remains ambiguous, with evidence of high volatility and weak long-run linkages between exports and GDP growth. These challenges are compounded by fluctuating foreign direct investment, exchange rate depreciation, and inflationary pressures, which interact with exports to shape growth outcomes. Consequently, the mechanisms through which exports are expected to drive growth in Uganda remain insufficiently understood. This study is therefore motivated by the need to systematically reassess the export–growth relationship (Export-Led Hypothesis) within a broader macroeconomic framework, to inform policies that promote diversification, value addition, macroeconomic stability, and sustainable economic growth.

LITERATURE REVIEW

Conceptual Review

Export

Exports constitute a key independent variable in analyzing economic growth, as they represent domestically produced goods and services sold in foreign markets and serve as an important source of foreign exchange earnings (Krugman & Obstfeld, 2009). Theoretically, exports enhance growth by exploiting comparative advantage, improving efficiency through international competition, and supporting industrial upgrading (Balassa, 1978; Awokuse, 2008). In Uganda, exports exhibit a dual structure comprising traditional agricultural commodities, such as coffee, cotton, tea, and tobacco, and rapidly expanding non-traditional exports, particularly gold, fish, horticultural products, and manufactured goods (UBOS, 2024; BoU, 2024). Despite recent diversification, Uganda's export base remains highly concentrated, with a few commodities accounting for the bulk of export earnings, exposing the economy to global price volatility and external demand shocks (UNCTAD, 2023).

The growth implications of exports in Uganda are therefore mixed. Strong export performance generates foreign exchange, supports macroeconomic stability, finances critical imports, creates employment, and expands fiscal space for public investment (World Bank, 2023; Kraybill & Michael, 2009). However, Uganda's exports are largely characterized by low value addition, as most agricultural products are exported in raw or semi-processed form, limiting participation in global value chains and reducing potential growth benefits (Ssemwanga, 2023).

Periods of export downturn, such as during the 2008–2009 global financial crisis and the COVID-19 pandemic, have translated into income losses, currency depreciation, and slower GDP growth (World Bank, 2021; Mwatu et al., 2024). Empirical studies consistently show that while exports can positively influence growth, their impact in Uganda is constrained by commodity dependence and limited diversification, underscoring the need for policies that promote value addition and structural transformation (Boysen, 2017; Ssewanyana & Kasirye, 2018).

Economic Growth

Economic growth denotes the sustained expansion of an economy's productive capacity, typically measured by increases in real GDP or GDP per capita, and reflects rising income levels, productive efficiency, and overall welfare (Todaro & Smith, 2015; Barro, 1991). As emphasized by Kuznets (1971), this process is driven by technological progress and institutional change, enabling economies to diversify production and improve efficiency. Beyond output growth, sustained economic growth is commonly associated with structural transformation, involving a shift of resources from low-productivity activities such as subsistence agriculture toward higher-value manufacturing and services (UNCTAD, 2023).

In Uganda, strong growth episodes, particularly between 2006 and 2015, coincided with improved service delivery, poverty reduction, and expanded economic opportunities, whereas growth slowdowns were linked to rising unemployment and inequality (World Bank, 2018). For developing economies, sustained growth strengthens government revenue and supports investment in infrastructure, education, and healthcare while stimulating private sector development and technological upgrading (Awokuse, 2008); conversely, weak growth limits job creation and entrenches poverty, especially among agriculturally dependent rural households (Kraybill & Michael, 2009). Empirical evidence further shows that exports can promote growth by generating foreign exchange and supporting industrial development (Michaely, 1977; Awokuse, 2008), although experience in Sub-Saharan Africa indicates that these benefits depend largely on export diversification and value addition rather than reliance on primary commodities alone (UNCTAD, 2023).

THEORETICAL FRAMEWORK

The Export-Led Growth (ELG) theory provides a foundational framework for analyzing the relationship between exports and economic growth in Uganda. Rooted in classical economics, the theory draws from Adam Smith's emphasis on specialization and productivity gains through trade and David Ricardo's principle of comparative advantage, which demonstrates that countries benefit by specializing in goods they can produce relatively more efficiently. These ideas collectively underpin the argument that openness to trade and export expansion can accelerate economic growth by improving efficiency, productivity, and resource allocation (Krugman & Obstfeld, 2009).

The ELG theory gained prominence following the shortcomings of import substitution industrialization (ISI) strategies pursued by many developing countries in the mid-twentieth century. In contrast to inward-looking policies that produced inefficiencies and slow growth, outward-oriented strategies adopted by East Asian economies, such as South Korea, Singapore, Hong Kong, and Taiwan, generated rapid industrialization and sustained growth (World Bank, 1993). Empirical studies by Michaely (1977), Balassa (1978), and Krueger (1978) provided strong evidence that export-oriented economies outperformed inward-looking ones, leading to the widespread acceptance of ELG as a dominant development paradigm by the 1980s and 1990s (Awokuse, 2008).

At its core, the ELG theory posits that exports drive growth by generating foreign exchange for capital and technology imports, fostering innovation through global competition, enabling economies of scale, and promoting employment and structural transformation (Giles & Williams, 2000; Krugman, 1994; Hesse, 2020). However, critics note that the theory may overemphasize exports while neglecting other growth drivers, and that reliance on primary commodity exports exposes economies to external shocks and limits value addition (Thirlwall, 2011; UNCTAD, 2023). In Uganda's case, the dominance of traditional agricultural exports alongside a narrow range of non-traditional exports highlights both the relevance and limitations of the ELG framework, underscoring the need for empirical analysis of how export performance has influenced economic growth in the short and long run.

Empirical Review

Empirical evidence on the export–growth nexus in Uganda and comparable developing economies indicates that exports generally exert a positive but unstable short-run effect on economic growth, while long-run outcomes depend heavily on export composition, policy environment, and structural conditions. Early studies such as Ssewanyana and Kasirye (2018) and Boysen (2017) show that agricultural exports contribute positively to short-run GDP growth, but their effects are fragile due to global price volatility, climatic shocks, and pest outbreaks. Recent evidence using ARDL techniques (Nsubuga & Odongo, 2022) reveals that non-traditional exports, especially gold and manufactured goods, have stronger short-run growth effects than traditional commodities, although these gains remain highly sensitive to exchange rate instability and inflation. Mwatu, Odongo, and Nanyonjo (2024) further demonstrate that Uganda's short-run growth volatility is closely tied to gold price shocks, which transmit through export revenues to the exchange rate.

Comparative African studies mirror these findings. Positive short-run export effects are reported for Nigeria (Ijirshar, 2015) and Ethiopia (Temesgen, 2022), while Zimbabwe's experience shows that dependence on unprocessed agricultural exports can negatively affect short-run growth (Gwanongodza, 2020). Evidence from Asia (Kang, 2015; Sayef & Sofien, 2020) similarly confirms positive short-run growth effects of agricultural exports, reinforcing the broader relevance of these dynamics.

In the long run, the literature presents a more nuanced picture. While exports support growth (Wardi, 2013; Thomas & Faisal, 2022; Esaku, 2021), their developmental impact in Uganda is constrained by commodity concentration, weak value addition, and limited industrial upgrading (Boysen, 2017; Ssewanyana & Kasirye, 2018). Structural and policy factors are critical: Kaberuka et al. (2014) show that export-led growth materialized only after trade liberalization, while Obwona (2002) emphasizes the role of FDI, macroeconomic stability, and institutions. Recent studies highlight that the surge in gold exports has yielded limited long-run benefits due to weak domestic linkages (Mwatu et al., 2024), consistent with the resource-curse hypothesis, while continued reliance on raw agricultural exports restricts value addition and employment creation (Ssemwanga, 2023). At the global level, UNCTAD (2023) attributes Uganda's limited transformation to weak integration into global value chains, although exports remain vital for macroeconomic stability and gradual diversification (World Bank, 2018; East African Community Secretariat, 2022).

METHODOLOGY

This study adopts an ex post facto quantitative design using econometric modelling to analyze time-series data for 1990 –2024. The design is appropriate because the variables exports and economic growth have already occurred and cannot be manipulated. However, this study is guided by the Export-Led Growth (ELG) hypothesis, which posits that export expansion stimulates economic growth by generating foreign exchange, enhancing productive capacity, and promoting integration into global markets (Awokuse, 2008; Balassa, 1978). The study applied the Autoregressive Distributed Lag (ARDL) model, which handles mixed integration levels (I(0) and I(1)) and small samples. ARDL enables simultaneous estimation of short-run dynamics and long-run equilibrium relationships. The following linear econometric model is specified:

$$GDP_t = f(EXPT_t, FDI_t, EXR_t INF_t) \tag{3.1}$$

$$GDP_t = \beta_0 + \beta_1 EXPT_t + \beta_2 FDI_t + \beta_3 EXR_t + \beta_4 INF_t + \mu_t \tag{3.2}$$

Equation 3.2 assumed that the error term μ is normally distributed, absence of serial correlation and homoscedastic.

The ARDL form of equation 3.2 is specified.

$$GDP_t = \beta_0 + \beta_1 GDP_{t-1} + \beta_2 EXPT_t + \beta_3 FDI_t + \beta_4 EXR_t + \beta_5 INF_t + \mu_t \tag{3.3}$$

Where all variables are as defined above. The coefficients β_1, β_2, β_3, and β_4 measure the long-run elasticities, indicating the percentage change in GDP associated with a 1% change in each explanatory variable.

Transforming equation (3.3) into an ARDL Model results as follows:

$$\Delta GDP_t = \alpha_0 + \sum_{i=1}^{m} \alpha_{1i} GDP_{t-i} + \sum_{j=0}^{n} \alpha_{2i} \Delta EXPT_{t-j} + \sum_{k=0}^{o} \alpha_{3i} \Delta FDI_{t-k} + \sum_{l=0}^{p} \alpha_{4i} \Delta EXR_{t-l}$$

$$+ \sum_{l=0}^{r} \alpha_{5i} \Delta INF_{t-l} + \beta_1 GDP_{t-i} + \beta_2 EXPT_{t-j} + \beta_3 FDI_{t-k} + \beta_4 EXR_{t-l} + \beta_5 INF_{t-m} + \varepsilon_t \tag{3.4}$$

In order to further investigate the impact of trade policies on Uganda's agricultural export performance, this study adopted the Autoregressive Distributed Lag (ARDL) framework introduced by Pesaran *et al.* (2001). Mathematically, the series Error Correction Model with the ARDL framework is as follows:

$$\Delta GDP_t = \alpha_0 + \sum_{i=1}^{m} \alpha_{1i} \Delta GDP_{t-i} + \sum_{j=0}^{n} \alpha_{2i} \Delta EXPT_{t-j} + \sum_{k=0}^{o} \alpha_{3i} \Delta FDI_{t-k} + \sum_{l=0}^{p} \alpha_{4i} \Delta EXR_{t-l} + \sum_{l=0}^{q} \alpha_{5i} \Delta INF_{t-l} \tag{3.5}$$

$$+ \delta ECT_{t-1} + \varepsilon_t$$

Where,

ECT_{t-1} = lagged Error correction term. The output evolution process that agents use to react to the prior period of prediction errors is captured by the ECT.

RESULT AND DISCUSSION

Table 1: Unit Root Test Result

Variables	ADF At Levels	Critical Values	Prob.	ADF at First Difference	Critical Values	Prob	Order of Integration
GDP	-1.208	-3.548	0.893	-7.129	-3.553	0.000	I(1)
EXPT	-2.967	-3.548	0.156	-5.024	-3.558	0.002	I(1)
FDI	-0.122	-3.548	0.992	-5.134	-3.553	0.001	I(1)
EXR	-1.223	-3.558	0.889	-4.753	-3.553	0.003	I(1)
INF	-4.562	-3.548	0.005	-	-	-	I(0)

Source: Researcher's Computation Using Eviews 13, 2025.

The Augmented Dickey-Fuller (ADF) test results indicate that four of the five variables, GDP, EXPT, FDI, and EXR, are non-stationary at levels, with ADF statistics (-1.208, -2.967, -0.122, -1.223) less negative than critical values and p-values above 0.05, implying the presence of a unit root. However, their first differences are stationary (ΔGDP, $\Delta EXPT$, ΔFDI, ΔEXR) with highly significant ADF statistics (-7.129, -5.024, -5.134, -4.753) and p-values of 0.000, indicating they are integrated of order one, I(1). Inflation (INF), in contrast, is stationary at level with an ADF statistic of -4.562 and p-value 0.005, classifying it as I(0). These findings imply that regression models involving GDP, EXPT, FDI, and EXR must account for their non-stationarity, and cointegration tests should be conducted to explore long-run relationships, with INF potentially included as a stationary variable in short-run or combined models.

Table 2: Lag Length Selection

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-2887.617	NA	2.26e+72	180.7886	181.0176	180.8645
1	-2737.351	244.1826	9.18e+68	172.9594	174.3336*	173.4149

| 2 | -2712.533 | 32.57283 | 1.05e+69 | 172.9708 | 175.4901 | 173.8059 |
| 3 | -2664.606 | 47.92701* | 3.55e+68* | 171.5379* | 175.2022 | 172.7525* |

Source: Researcher's Computation Using Eviews 13, 2025.

Table 2 presents the determination of the optimal lag length for the ARDL model, which is crucial for accurately capturing dynamic relationships among the endogenous variables (GDP, EXPT, FDI, EXR, INF) over 35 years. Five information criteria were used: Sequential Modified LR Test, Final Prediction Error (FPE), Akaike Information Criterion (AIC), Schwarz Criterion (SC), and Hannan-Quinn Criterion (HQ).

The Sequential Modified LR Test, FPE, AIC, and HQ all indicate 3 lags as optimal, while the SC, being more conservative, selects 1 lag. The LR statistic of 47.92 is significant at the 5% level, supporting the addition of a third lag. The convergence of the majority of criteria on 3 lags suggests that this length adequately captures delayed effects and interactions among the variables without overfitting.

Therefore, despite SC's conservative choice, 3 lags are selected to balance model complexity, fit, and parsimony.

Table 3: ARDL Bounds Test for Cointegration

F-statistic		18.007128				
	10%		5%		1%	
Sample Size	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)
30	2.407	3.517	2.910	4.193	4.134	5.761
35	2.331	3.417	2.804	4.013	3.900	5.419
Asymptotic	2.080	3.000	2.390	3.380	3.060	4.150

* I (0) and I(1) are respectively the stationary and non-stationary bounds.

Source: Researcher's Computation Using Eviews 13, 2025.

Table 3 presents the results of the ARDL Bounds Test for cointegration, which examines whether a long-run equilibrium relationship exists among the five variables in the model. The test accounts for a mix of I(0) and I(1) variables, with a sample of 35 observations and a restricted constant (Case 2) trend specification.

The null hypothesis of no cointegration is tested against the alternative of a long-run relationship. The computed F-statistic is 18.007, which far exceeds the upper bound critical values at the 1%, 5%, and 10% significance levels (1% upper bound = 5.419; 5% = 4.013; 10% = 3.417) as well as the conservative asymptotic critical values (1% = 4.15). This overwhelming evidence allows rejection of the null hypothesis, confirming a statistically significant long-run cointegrating relationship among the variables.

Consequently, it justifies the use of a long-run ARDL model and an Error Correction Model (ECM) to examine both short-term dynamics and adjustments toward long-run equilibrium.

Table 4: ARDL Long-Run Results

Regression Results (Dependent Variable: LGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LEXPT	-0.115856	0.342675	-0.338093	0.7380
LFDI(-1)	0.190802	0.152687	1.249630	0.2226
LEXR(-1)	-2.549592	1.507847	-1.690883	0.1028

INF	0.028508	0.024918	1.144057	0.2630
C	44.41975	16.86884	2.633242	0.0140

Source: Researcher's Computation Using Eviews 13, 2025.

Table 4 presents the long-run coefficients estimated from an ARDL model, examining the equilibrium relationship between GDP (LGDP) and key explanatory variables: Exports (LEXPT), lagged FDI (LFDI(-1)), lagged Exchange Rate (LEXR(-1)), and Inflation (INF), with a restricted constant included only in the cointegrating equation. The results indicate that exports have a negative long-run coefficient of -0.116, suggesting that a 1% increase in exports is associated with a 0.116% decline in GDP, a counterintuitive result possibly explained by resource dependence or "Dutch disease." The exchange rate also shows a strong negative effect (-2.55), implying that currency depreciation significantly reduces GDP, likely due to the economy's reliance on imported capital goods and inputs. Conversely, FDI exhibits a positive coefficient (0.191), consistent with its role in capital accumulation, technology transfer, and productivity enhancement, while inflation shows a weak positive effect (0.029), potentially reflecting moderate demand-driven growth.

However, the p-values indicate that none of these coefficients, except for the constant, are statistically significant at conventional levels (LEXPT = 0.738, LFDI = 0.223, LEXR = 0.103, INF = 0.263), meaning the estimated effects cannot be reliably distinguished from zero. The significance of the constant term (0.014) suggests other unobserved factors, such as institutional quality, human capital, or technological progress, may be driving long-run GDP. Overall, while the model confirms a cointegrating long-run relationship among the variables, the individual contributions of exports, FDI, exchange rate, and inflation are statistically inconclusive, emphasizing the need for careful interpretation and consideration of broader structural and institutional factors when designing policies based on these results.

Table 5: ARDL Short-Run Results

Dependent Variable: D(LGDP)				
Method: ARDL				
Selected model: ARDL(2,2,3,3,2)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
COINTEQ*	-0.056575	0.005926	-9.547387	0.0000
D(LGDP(-1))	0.277576	0.101588	2.732361	0.0119
D(LEXPT(-1))	2.823802	0.374668	7.536802	0.0000
D(LFDI(-2))	0.031043	0.004901	6.333669	0.0000
D(LEXR(-2))	0.144845	0.031768	4.559387	0.0001
D(INF(-1))	3.900085	0.786294	4.960082	0.0003
R-squared	0.859197	Mean dependent var		0.059069
Adjusted R-squared	0.816344	S.D. dependent var		0.025763
S.E. of regression	0.011041	Akaike info criterion		-5.956807
Sum squared resid	0.002804	Schwarz criterion		-5.586745
Log likelihood	100.3305	Hannan-Quinn criter.		-5.836176
F-statistic	20.04978	Durbin-Watson stat		2.045676
Prob(F-statistic)	0.000000			

Source: Researcher's Computations Using Eviews 13

The ARDL short-run results in Table 5 reveal the immediate dynamics driving Uganda's economic growth and highlight a complex interplay between past growth, exports, FDI, exchange rates, and inflation. The model exhibits strong explanatory power, with an R-squared of 0.859, indicating that 85.9% of short-term GDP variations are captured by the included variables. The Error Correction Term (COINTEQ*, -0.0566, p=0.0000) is highly significant and negative, confirming a valid long-run equilibrium while indicating a slow adjustment process, as only 5.66% of short-run deviations are corrected per period. The lagged dependent variable, D(LGDP(-1)), is positive and significant (0.2776, p=0.0119), suggesting that prior periods of growth generate short-run momentum, potentially through investment and consumption cycles.

Export growth demonstrates a strong short-run impact, with D(LEXPT(-1)) showing a highly significant positive effect (2.8238, p=0.0000), implying that previous-period export expansions substantially stimulate current growth. FDI also contributes positively, but with a lag, as D(LFDI(-2)) (0.0310, p=0.0000) reflects the delayed effect of investments becoming operational. The exchange rate exhibits a similar lagged effect, with D(LEXR(-2)) (0.1448, p=0.0001) indicating that currency depreciation enhances export competitiveness after two periods. Inflation, represented by D(INF(-1)) (3.9001, p=0.0003), has a short-run stimulatory effect, likely encouraging immediate consumption and investment. Overall, the short-run ARDL model portrays an economy where growth momentum, lagged exports, FDI, currency movements, and inflation interact to drive economic fluctuations, all gradually converging toward the established long-run equilibrium.

Table 6: Result of the Diagnostic Test.

Normality Test			
Jarque-Bera Statistics	2.571	Prob	0.277
Serial Correlation: Breusch-Godfrey LM Test			
F Statistics	3.610	Prob	0.837
Heteroskedasticity Test: Breusch-Pagan-Godfrey Test			
F Statistics	1.522	Prob	0.200

Source: Researcher's Computations Using Eviews 13

Table 6 reports key diagnostic tests validating the ARDL model's reliability. The Jarque-Bera test shows residuals are normally distributed (JB = 2.571, p = 0.277), supporting standard inference. The Breusch-Godfrey LM test indicates no serial correlation (F = 3.610, p = 0.837), confirming that past errors do not bias estimates. The Breusch-Pagan-Godfrey test for heteroskedasticity shows constant residual variance (F = 1.522, p = 0.200), ensuring reliable standard errors. Collectively, these results demonstrate that the model satisfies OLS assumptions, producing well-specified, statistically robust, and trustworthy coefficient estimates suitable for inference and policy analysis.

CONCLUSION AND RECOMMENDATIONS

This study examined the Export-Led Growth (ELG) hypothesis in Uganda using ARDL bounds testing on 35 years of annual data, revealing a fundamental disconnect between short-run dynamics and long-run equilibrium that challenges the hypothesis's applicability. The findings provide only partial support for ELG theory: while lagged exports demonstrate powerful short-run growth effects (coefficient of 2.824, p=0.000), confirming that export expansion generates immediate economic stimuli consistent with theoretical predictions, the long-run results fundamentally contradict the hypothesis. The long-run export coefficient is negative (-0.116) and statistically insignificant (p=0.738), indicating that export expansion fails to translate into sustained growth—a finding explained by Uganda's primary commodity dependence, weak domestic linkages from enclave exports like gold, and vulnerability to global price volatility. The significant long-run constant term (44.42, p=0.014) further suggests that Uganda's growth trajectory is fundamentally driven by omitted structural factors; institutional quality, human capital, and infrastructure rather than exports themselves. Thus, the ELG hypothesis is confirmed only in the short run but rejected in the long run, leading to a refined theoretical formulation: exports function as growth accelerators providing periodic boosts rather than autonomous growth engines in Uganda's structural context.

Based on these findings, policy must prioritize transforming the export structure over merely expanding export volume. First, Uganda should implement coordinated strategies for value addition and diversifiction, establishing export processing zones in Jinja, Eastern Uganda, where Lake Victoria is located, and the Nile River originates, incentivising domestic processing of agricultural commodities, developing light manufacturing and services exports, and strengthening backward linkages through local content requirements. Second, macroeconomic management must shift from short-term stimulus to long-run stability: maintaining a stable and competitive real exchange rate that avoids the negative long-run effects of depreciation; anchoring inflation expectations through credible monetary policy; and strategically targeting FDI with strong technology-transfer

potential rather than pursuing investment volume alone. Third, and most critically, policy must address the foundational drivers of long-run growth revealed by the significant constant term, accelerating human capital development, systematically upgrading infrastructure, strengthening institutional capacity for economic governance, and pursuing deliberate industrial policy to achieve structural transformation. Without these complementary investments, export expansion will continue generating short-run gains while failing to fundamentally alter Uganda's long-run growth trajectory.

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