STUDY: HOW FINANCIAL INSTITUTION (LOCAL OR INTERNATIONAL) CAN FACILITATE THE GROWTH OF MULTINATIONAL ENTERPRISES IN EAST AFRICA

CASE STUDY: EAST AFRICA DEVELOPMENT BANK (EADB)-KAMPALA

BY

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A RESEARCH DESSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE BACHELORS DEGREE OF INTERNATIONAL BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY (KIU)

SUPERVISOR

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AUGUST 2006

DECLARATION

This study was a result of an independent investigation whose indebtedness has been duly acknowledged. I hereby declare that this dissertation has not been submitted either in the same or different form to any other institution for academic qualification.

Signature.............................DATE. 1st September 2006

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APPROVAL

This study conducted under the topic: How financial institutions (local and international) can facilitate the growth of multinational enterprises in East Africa, case study East African Development Bank, Kampala, has been under my supervision and now is ready for submission to the school of Business and Management (KIU) with my approval.

Name of the supervisor: MR. DENNY MUKWAYA

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Date : 1st Sept, 2006.

Name of the research facilitator: DR. Y. B. NYABOGA

Signature : ....

Date : ....

DEDICATION

I dedicate this study to my dear parents, Dad Mr. Joseph Kendagor and Mum Rhoda Kendagor who have always given me stronger love and support and educated me. Further, to my dear brothers and sister, cousins for their love and support, I will always cherish.

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Last but not least, I would like to thank the class of International Business Administration 2006.

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ABBREVIATIONS

E.A.C.B……….East African Currency Board

E.A.C……………..East African Community

E.A………………..East Africa

M.N.E……………..Multinational Enterprise

F.I…………………Financial Institution

F.D.I………………Foreign Direct Institution

I.M.F………………International Monetary Fund

E.A.D.B……………East African Development Bank

B.O.U………………Bank of Uganda

F.D.I.C……………..Federal Deposit Insurance Corporation

B.I.F………………..Bank Insurance Fund

S & L………………Saving and Investment

I.O…………………Industrial Organization

U.B.S………………Uganda Bureau of Statistics

U.C.I.A……………..Uganda Capital Investment Authority

N.S.S……………….National Statistics System

CHAPTER 1: GENERAL INTRODUCTION

BACKGROUND OF THE STUDY

THE MULTINATIONAL ENTERPRISES IN EAST AFRICA

The history of multination enterprises in East Africa was realized as early as 1880s with the Imperial British East Africa Company (IBEAC) founded in 1885. It was a commercial association that was founded to develop African trade in the areas controlled by the British colonial power. It was created after the Berlin Treaty of 1885[1]. The aim of the company seemed to have been partly political, countering German, French and Italian. The countries supported the company to suppress the slave trade between East Africa and Arabia. The company proved to have insufficient resources and handed over its leases to the British government.

In 1919 Britain had formed Uganda, Kenya and Tanzania. To facilitate trade between the countries and the Arabian countries the East African Railway and Harbor was administered[2]. Between December 1927 and 13th August 1935, the working and management of the Kenya and Uganda railway and Harbors Administration was vasted by the high commission of transport.

From the early 1950s the major focus was on economic policy and development within the East African region. This opened up opportunities for exports of manufactured goods. In the period of 1969/70 cotton production was booming in Uganda further coffee production was high in Kenya. During the period of 1974/75 to 1993/94 external and internal factors have combined to dramatically reduce export of manufactured products. It was affected by political

[1] The Imperial British East Africa Company, website accessed on August 4, 2006
[2] The East African Railway and Harbor, website accessed on August 4, 2006

disruptions, financial crisis and further the competitiveness of these enterprises were affected by the fixed nominal exchange rate which led to the devaluation of currency. The principle economic events of the period were the move from fixed to floating exchange rates among major industries in 1973. This led to sharp increases in prices of oil and other primary products such as coffee, cocoa and copper[3]. After 1975 there was a reduction of the number of multinational enterprises in the region, with a reduction of about 20% led by high borrowings, high interest rate associated with higher inflation[4].

By mid 1980s corrective measures were taken. At that particular time, Kenya, Uganda and Tanzania liberalized its market and it experienced a boom of multinational enterprises generated by improvement in the foreign terms which were below. Coca-cola Company having its subsidiary in South Africa franchised its production to East Africa thus facilitated the production of its products, followed by other multinational players.

East African Development Bank[5]

The East African Development Bank (EADB) was established in 1967 under the treaty of the then East African Cooperation. Following the break up of the community in 1977,.the Back was re-established under its own charter in 1980. Under this charter, the bank's role and mandate were reviewed and its operational scope expanded.

Under its expanded operational scope, the bank offers a broad range of financial services in the member states of Kenya, Uganda, and Tanzania with overriding objective of strengthening socio-economic development and regional integration

EADB is owned by the three member states within the East African region. The revitalization of the regional cooperation among the member states through the establishment of the new

[3] 1986, World Bank report.
[4] Boom, Crisis and Adjustment, *the macroeconomic experience of developing nation,* 1970-1990, page 1-5
[5] The East African Development Bank website, www.eadb.com, 2004, accessed on 17th July 2006.

East African Community (EAC) has accorded the bank the opportunity of playing a catalyzing role in regional integration through provision of development finance.

Statement of the problem

From the background of the study, it was seen that there was a continuous flow and movement of economic resources. Despite favorable Investment climate within the region, the East African Multinational Enterprises still lag behind as compared to other economic regions.

There has been an increasing evidence of money supply within the region in the past years resulting to inflation, thus, price instability. These factors greatly affect the growth multinational enterprises within the region.

There has been unrealistic interest rate that must be at least above the level of inflation

Unstable exchange rate for the national and foreign currency

Objectives of the study

General objectives

To find out how financial institutions can facilitate the growth of Multinational Enterprises in East Africa.

Specific objectives

- To explore the Financial Institutions managerial tools used to influence the growth of Multinational Enterprise.
- Find out the interrelationship that exists between Financial Institutions and the growth of Multinational Enterprise.

Significance of the study

- The study will benefit Multinational Enterprises by highlighting the useful financial tools that can enhance investment expansion and how it is going to contribute to the managerial view on its resources and how they are going apply them to make strategic decisions.

- The study will help managers to focus on operational or financial problems early enough for effective planning or action.
- Will help multinational enterprises to come up with effective environmental protective and management policy through environmental accounting provided by financial institutions.
- It study will help academicians to contribute to the existing knowledge on factors which will facilitate the growth of multinational enterprises.

Scope of the study

The study was carried out in city center, Industrial Area, Uganda, Kampala because it consists of major financial institutions and Multinational Enterprises.

The proposed duration consumed a period of two months.

The people approached were the Top Management team that is Managing Directors and their deputies, and Middle management team that is Department Managers of finance, Marketing and Research and Development, Supervisors and employees of East African Development Bank and a couple of Multinational Enterprises.

Methodology

Design of the study

The study utilized both primary data source and secondary source. The primary data source was composed of gathering first hand information from representative of target group using the following methods of collecting data

- Interviews
- Questionnaires

Secondary data sources consisted mainly external or second hand information literature reviews of text books, business publication newsletters, professional journals, news periodicals, articles, research papers, reports and on-line information.

Primary data

Questionnaires: the managing directors of the finance department, Research and Development department, within the organization of interest were issued with questionnaires. This was distributed randomly to the sample population. The questionnaires as a source of primary data were structured. All the respondents' employees were presented with similar questionnaires so as to provide them with equal and unbiased perspectives for their answers. Questionnaires were used because it is an effective and efficient data collection mechanism as the researcher knows exactly what is required and how to measure the variable of interest.

Time to respond to the questions was limited to two weeks.

Interviews: the researcher conducted a face to face interview with the party concern. This was so as to ensure that the responses are properly understood. The researcher used personal interviews because it secured the respondents cooperation and carried out a purposeful conversation, in which the respondent replied to the questions. Although it was relatively expensive method, it offered a lot of flexibility in allowing the researcher to explain questions, to probe more deeply into the answers provided, and even to record measurement that were not actually asked of the respondent.

Secondary data

Due to the nature of the study, the study relied mostly on secondary method of data collection which included both internal sources and external sources.

Internal sources: the data existed in the form of accounting, financial information and research and development information and reports. Others were annual reports, as well as more specific reports that were available from department such as Research and Development, finance, and the long-range plans and strategies.

External sources: data gathered outside the organizations, often for another purpose. These data were collected from visiting universities library and corporate libraries, public information center, reading business periodicals indexes, business weeks, and business journals. Further, visited commercial suppliers who specializes in business research and on-line research.

Data evaluation and presentation

Once the data were collected it was evaluated into meaningful information. The researcher used tables, frequency distribution tables, bar graph, pie charts to present data and curves. Such summarization helped the researcher to compare data which were collected from different researchers and, or from different sources with what were used for effective analysis.

Data analysis

The questionnaires were designed with the analysis in mind so as to collect data relevant to the study. These analyses were descriptive statistics which included frequency distribution tables, tables, curves, pie charts, bar graphs and percentages.

Limitation of the study

- Due to the poor responsiveness from those approached like the managers it resulted to semi or incomplete work.
- Despite using both primary and secondary sources of data collection method,. it depended more on secondary data source than primary source thus, there might be inaccuracy of data due to inefficient data processing and recording system.
- Limited time both to research and compile.

CHAPTER 2: LITERATURE REVIEW

Introduction

Under this chapter the study analyzed and gave critical reviews on issues that have been put forward by academicians on financial institutions, and how they influences the growth of Multinational Enterprises. This chapter focused on explaining the general concept of the nature and role of financial institution in Multinational Enterprises transformation. The issues were reviewed under the following headings: Definitions (i) What are financial institutions activities, (ii) Multinational Enterprises, (iii) Characteristics of Multinational Enterprises (iv) Types of financial institutions, (v) Their functions, (iv) Theories, and (viii) The relationship between financial institution and Multinational Corporation.

Financial institution

A financial institution is a business firm whose principal assets are financial assets or claims, stocks, bonds and loans instead of real assets, such as building equipment and raw material[6]. Financial institutions make loans to customers or purchase investment securities in the financial marketplace. They also offer a wide variety of other financial services, ranging from insurance protection and the provision of a mechanism for making payment and transferring funds[7]. Financial intermediaries follow the "middle-men" principal that Provides funds to investors or borrowers for creative investment. Savers or lenders put money into the financial institution and it extends credit to the creditor or investors.

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[6] Peter S. Rose, James W. Kolari, and Daniel R. Fraser, *Financial Institution Understanding and Managing Financial Services*, 4th edition, page 3

[7] Frank J. Fabozze, Franco Modiglian, and Michael G. Ferri, *Foundation of financial markets and institutions*, 2nd edition, page 18-19)

Multinational Enterprises (MNEs)

A multinational enterprise is a firm that has productive capacity in a number of countries[8]. The profit and income flows that they generate are part of the foreign capital flows that moves between countries. As countries adapt more open oriented approaches to economic growth and development the role of Multinational Enterprises become more important.
Are firms having operation in more than one country, international sales, and a nationally mix of managers and owners[9].

Multinational Enterprises is a firm that owns or controls value adding activities in two or more countries[10].

From the above definitions, to my view Multinational Enterprises is a firm that occurs whenever a firm locates a factory abroad or purchase controlling amount of shares, for example 10% from an existing firm[11].

Characteristics

- Has productivity capacity in more than one country
- They have a parent company which controls its subsidiaries
- Constitutes a mix of managers and owners
- Operates well in an open market operation where prices are determined by the forces of demand and supply.
- They are greatly affected by the difference in political, economical, social/cultural and technological differences.

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[8] Charles W. Hill, *Global Business Today*, 2nd edition, McGraw-Hill Irwin, 2003, (pg 19)
[9] Richard M. Hodgetts, Fred Luthans, *International management, culture, strategy, and behavior*, 4th edition, Irwin McGraw-Hill, 2000, (pg 4)
[10] Mr. Pearce R.D, 2001
11 According to the study

Banking institutions

These are banks which are recognized by the government for example central bank and commercial banks. Therefore, their deposits are insured by a registered insurance body (Bank Insurance Fund) a body which is a member of Federal Deposit Insurance Corporation (FDIC). These banks provide numerous services in the financial system. They participate in (i) individual, (ii) institutional banking and (iii) global banking[12].

Interest income and fee income are generated from credit card financing. They offer loans to non financial corporations, financial corporation such as life insurance companies, and government entities (states and local government) and further foreign government.

They also act as commercial real estate financing, leasing activities, and factoring in the case of leasing. Banking institutions may be involved in leasing equipment either as leasers, as lenders to leasers, or as purchasers of leases.

In the global banking, banks compete head-to-head with investment banking firms. Global banking covers a broad range of activities involving corporate financing and capital market and foreign exchange of products and services.

Non-banking institution

Are the deposit taking institutions but incurring liabilities in forms other than demand deposits such as time, savings and deposits. Pay no interest and can be withdrawn upon demand. Offers different accounts for example, savings deposit account pay interest typically below market interest rates and do not have a specific maturity period and usually can be withdrawn upon demand.

[12] Frank J. Fabozzi, Franco Modiglian and Michael G. Ferri, *Foundation of Financial Markets and Institution*, 2nd edition, Page 56

On the other hand, time deposit account also called certificates of deposits have a fixed maturity dates and pay either a fixed or floating interest rates. Further, a money market demand account is one that pays interest based on short-term interest rates. The market for short-term debt obligation is designed to compete with money market mutual funds.

Example includes, (i) Loan and Saving association (S&L) which are depository institution that obtain checking and deposits and make personal commercial and home-purchase loans, (ii) Savings banks which are depository institution that accept savings deposits and offer mostly mortgage refinancing loans (iii) Credit Unions which are depository institution owned by a social or economic group, accept saving deposits and offer mostly consumer loans.

Non-deposits financial institutions

These are Financial Institutions that for a price will make payment if a certain event occurs for example insurance company. They function as risk bearers. Insurances companies offer two kind of offers; Property and casualty insurance and life insurance. Life insurance insurers against death of a policy holder where a life insurance company agrees to make either a lump sum payment or a series of payment to the beneficiaries of the policy. On the other hand property and casualty insurance companies insure against a wide variety of occurrence for example accident, fire or death.

Assorted financial services institution

Is a financial institution which is non-banking but have special operation arrangement and include institutions such as development banks, housing finance, investment banks and other institutions lending on a priority project basis.

These banks act on behalf of their clients. For example, investment banks invest funds on behalf of investors.

Functions of financial institutions

Supply international financial services

Financial Institutions provides essential financial services for Multinational Enterprises as they are involved in international trade and finance. For example, they guarantee the credit of importing firms so that these Multinational Enterprises can purchase goods overseas on credit and have the time needed to transport and market them where they wish to sell.

Financial Institutions provide direct loans to Multinational Enterprises to construct new production facilities and acquire other businesses. They supply advice on and technical analysis of foreign markets and foreign investment opportunities. Finally, they purchase and sell foreign currency on behalf of Multinational Enterprises who are their customers.

Offering a means of payment for purchase of goods and services

The demand deposits offered by financial institutions serve as the principle medium of exchange to which to purchase goods and services. Financial Institutions makes funds available for the purchase of goods and services in a modern economy. Thus, it facilitates fund to flow freely across geographical and political boundaries only because individual financial institutions are willing to honor immediately any drafts made against them. The whole system rest on public confidence and willingness to accept Financial Institutions deposits as a medium of exchange in payment for goods and services purchased by Multinational Enterprises.

Expanding the money supply by making loans and investment

The depository and non-depository banks attract funds for saving by issuing attractive financial assets and lend those funds to Multinational Enterprises. Commercial banks have the capacity to create money for a new deposit by granting credit to borrowers (Multinational Enterprises). Further, Individual Financial Institutions receive deposits from a wide variety of sources.

Multinational Enterprises deposit their sales receipts, income from investments and other funds in demand accounts and in time deposits.

In addition, commercial banks also have the capacity to create deposits that arise when they make loans and investment. Financial Institution's loans are one of the most important sources of credit to Multinational Enterprises, which provide financial sources thus Multinational Enterprises can acquire goods and services even when their income and savings are inadequate.

Reducing risk via Diversification

Financial services Institutions such as investment banks helps investors to diversify. Consider an investor who places funds in an investment bank, the investment bank invests the funds received to a large number of companies. By doing so the investment bank has diversified and reduced its risk. Further, for a Multinational Enterprise which has a small sum to invest would find it difficult to achieve the same degree of diversification because they do not have sufficient funds to buy shares of a large number of companies. Yet by investing in the investment bank for the same sum of money, Multinational Enterprises can accomplish this diversification thereby reducing risks. Although individual Multinational Enterprises can do it on their own, they may not be able to do it as cost effectively as a financial institution, depending on the amount of funds they have to invest. Therefore, for a Multinational Enterprises to grow and diversify and reduce risks it has to purchase a financial asset of a financial institution.

Theories

It has long been recognized that all Multinational Enterprises are Oligopolistic, but it is only recently that Oligopoly and Multinationals have been explicitly linked via the notion of market imperfection[13]. These imperfections can be related to product and factor markets or to financial markets.

Product and factor market imperfection

The most promising explanation for the existence of multinationals Enterprises relies on the theory of Industrial Organization (IO). IO theory points to certain general circumstances under which each approach-exporting, licensing, or local production-is a preferred alternative for exploiting foreign markets.

According to this theory, Multinationals Enterprises have *intangible capital* in the *form of trademarks, general marketing skills*, and *organizational abilities*[14] which are inseparable from the firm itself. A basic skill involve knowing how best to service a market through new-product development and adoption quality control, advertising, distribution, after sale service, and the general ability to read changing market desires and translate them into salable products. Because it would be difficult, if not impossible, to unbundled these services and sell them apart from the firm, this form of market imperfection often leads to corporate attempts to exert control directly via the establishment of foreign affiliates.

Such "market failure" imperfections lead to both vertical and horizontal direct investment. Vertical investment-is direct investment across industries that relate to different stages of production of particular good-enable the Multinational Enterprise to substitute internal production and distribution system for inefficient market. On the other hand, horizontal direct investment-investment that is cross-border but within an industry-enable the Multinational Enterprise to utilize the advantage such as know-how or technology and avoid the contractual

[13] Allan C. Shapiro, *Multinational Financial Management*, 4th Edition, Prinfice-Hall of India private limited, New Delhi, 2000 page 411-414
[14] Richard E. Caves, *International Corporation: The industrial Economies of Foreign investment*, 2nd edition, page 342-344

difficulties of dealing with unrelated parties. Examples of contractual difficulties are Multinational Enterprises inability to price know-how, or to write, monitor and restriction on governing technology transfer arrangement. Thus, Multinational Enterprises makes most sense when a firm possesses a valuable asset and is better of directly controlling use of the asset than selling or licensing it.

Financial market imperfection

Financial motivation for Multinational Enterprise is likely to be the desire to reduce risks through international diversification. This motivation may be somewhat surprising because the inherent risk of the Multinational Enterprise is usually taken for granted. For example exchange rate changes, currency controls, expropriation, and government intervention are some of the risks that are rarely encountered by purely domestic firms. Thus, the greater the firm's international investment, the riskier its operation should be. Much of the systematic or general market risk affecting a company is related to the cyclical nature of the national economy in which the company is operating. Hence, the diversification effect due to operating in a number of countries where economic cycles are not perfectly in place should reduce the variability of Multinational Enterprises economy[15]. Since foreign cash flows are generally not perfectly correlated with those of domestic investments, the greater the risk of individual project overseas can well be offset by beneficial portfolio effects. Furthermore, because most of the economic and political risks specifics to the Multinational Enterprises are unsystematic, thus, they can be eliminated through diversification.

[15] Allan Rugman, *Risk reduction by International Diversification, Journal of international business studies*, page 19-24

Relationship between financial institution and Multinational Enterprises

Financial institution is a set of interdependent rather than independent institution. Its main objective is to provide financial assistance to promote economic function of a multinational enterprise. A financial institution is a source and strength of multinational enterprises transformation as it has an impact on the financial health of the multinational enterprises. It gives it financial services and supports. On the other hand multinational enterprises have an effect on the financial institution's growth as it depends on its deposits. Moreover, the events that happen within a multinational enterprise are the operation of financial institution like price changes depend on the financial institution's monetary policy.

CONCLUSION

In conclusion financial institution is an asset than a liability to multinational enterprises. These financial institutions play a major role in facilitating the growth of multinational enterprises. It supplies international financial services, offers a means of payment for purchase of goods and services, it plays a major role in expanding the money supply by making loans. Further, it helps multinational enterprises to reduce risk via diversification as it helps in investing where it seems to be risky.

CHAPTER 3: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

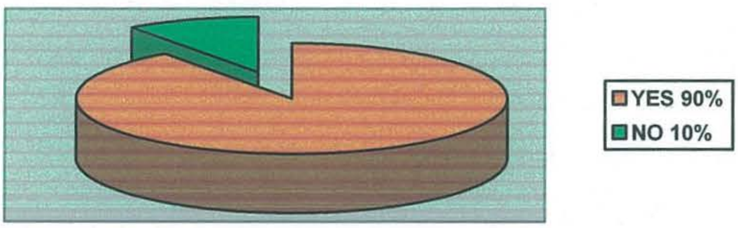
INTRODUCTION

This chapter addresses the data presentation, analysis and interpretation. The research examined the data so as to find out how financial institution (local and international) influence the growth of multinational enterprises in East Africa. Tables and pie charts were used in the presentation and interpretation of findings.

Table 2: services provided

Responses	Frequencies	Percentage %
YES	9	90
NO	1	10

Figure 1: showing whether East African Development Bank has services it provide



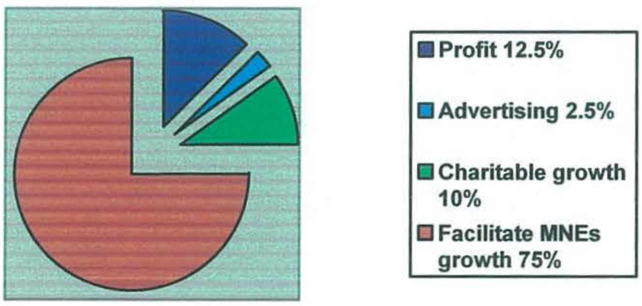
Source: *Primary data*

From table 2 and figure 1 above, the study revealed that East Africa Development Bank has a wide range of services that it offers to multinational enterprises. According to Ndhaye Stephen the services are short, medium and long term loans, assets for leasing, loan guarantees, technical assistance and effective modern technological mode of payment. 90% of the respondents strongly accepted that the services and products offered by the East African Development Bank are offered so as to enhance the growth of multinational enterprises. Hence, any multinational enterprise is a candidate of East African Development Bank so long as it gears towards development. Thus if any multinational enterprise do intend to grow and it has attained the necessary requirement but it is facing financial difficulties, it can go to East African Development Bank for assistance.

Table 3: Reasons for providing the services

Reasons	Frequency	Percentage %
Profit	1	12.5
Advertisement	0.2	2.5
Charitable growth	0.8	10
Facilitating the growth	6	75
Total	**8**	**100**

Figure 2: Reason of East African Development Bank existence



Source: *Primary data*

East African Development Bank offers the services so as to facilitate the growth of multinational enterprises. This is because 75% of the respondents strongly agreed that East

From table 4 and figure 3 multinational enterprises do benefit from the services offered by East African Development Bank. 90% of the respondents strongly agreed that Multinational Enterprises do benefit from the services offered by East African Development Bank.

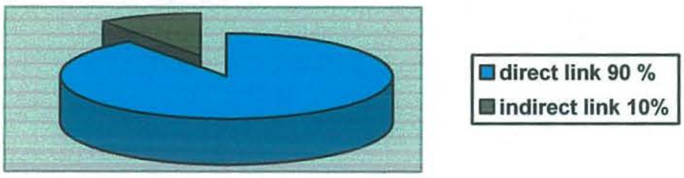
Therefore through the long term and medium term loans offered by East African Development Bank the Multinational Enterprises have been in a position to diversify to other regions which it had not ventured before. In addition, other multinational enterprises have been in a position to increase their product lines and market share, thus increase in its return hence an increase in profits. The short term loans offered by East African Development Bank have helped multinational enterprises to purchase raw materials especially in regions where they are found at a cheaper cost.

Therefore, from the findings multinational enterprises greatly benefit from the services offered by East African Development Bank thus it enhances its growth.

Table 5: the link between East African Development Bank and Multinational Enterprises

Response	Frequency	Percentage
YES	9	90
NO	1	10
Total	10	100

Figure 4: Responses showing the link



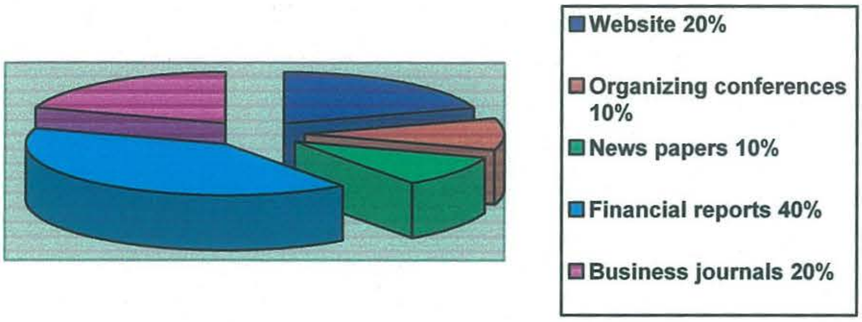
***Source:** Primary data*

From table 5 and figure 4 it shows that in East Africa there is a direct link between the services offered by East African Development Bank and the growth of multinational enterprises. 90% of the respondents strongly agreed that there is a direct link between the services offered by East African Development Bank and the growth of multinational enterprises within East Africa. Through the long and medium term loans most of the domestic companies have diversified hence turned out to be multinational enterprises through the expansion plan. According to Ndhaye Stephen, "East African Development Bank has enhanced international financial services, offered a means of payment for purchase of goods and services, and in addition it has played a major role in risk minimization via diversification. All these factors are the major source of multinational enterprise growth". Hence the study found out that there is a clear link between the services offered by East African Development Bank and the growth of Multinational Enterprises.

Table 6: How EADB advertise the services

Responses	frequency	Percentage %
Website	2	20
Organizing conferences	1	10
News papers	1	10
Financial reports	4	40
Business journals	2	20
Total	**10**	**100**

Figure 5: Response of how it advertise its services



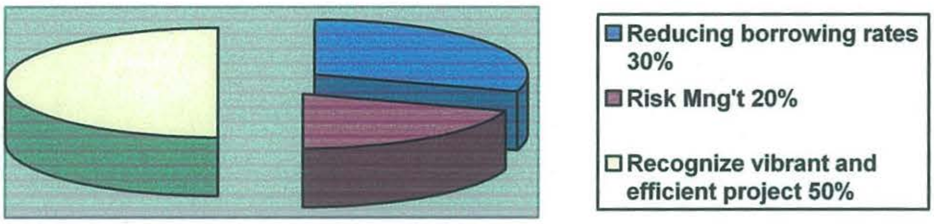
Source: Primary data

From table 6 and figure 5 the study found out that East African Development Bank prefer advertising its services through financial reports. This is because 40% of the respondents strongly agreed. The bank prefers using these financial reports because it shows the banks financial status and strengths. Further, these reports show the services they offer and the specific projects which benefit the multinational enterprises. The study found out that most multinational enterprises prefer these financial reports. Therefore, East African Development Bank prefers it as the best source of advertising its financial services and products. In addition East African Development Bank advertise its services through weekly business journals these journals as most multinational enterprises do buy this journal on a weekly basis. These journals shows not only the financial services offered but also the other business services which are of important to multinational enterprises and how they can enhance their growth.

Table 7: how East African Development Bank can offer its financial services

Response	Frequency	Percentage (%)
Reducing borrowing rates	3	30
Risk management	2	20
Recognize vibrant and efficient projects	5	50
Total	**10**	**100**

Figure 6: Respondents reaction on what EADB should do to facilitate financial services to MNEs



Source: *Primary data*

From table 6 and figure 6 above, the findings of the study revealed that East African Development Bank should recognize vibrant and efficient projects so as to enhance the process of offering its services if it wants to achieve its objective of growth to multinational enterprises. This is because 50% of the respondents agreed and affirmed that to facilitate the growth of multinational enterprises in East Africa, East African Development Bank should first recognize vibrant, efficient and well regulated markets which are a perquisite for sustainable multinational enterprises growth. This will enable multinational enterprises to effectively assign the services offered by East African Development Bank to more profitable projects. Further, if East African Development Bank recognizes these projects multinational enterprises will be in a position to diversify without fear high chances of risk as the risk is catered for.

CONCLUSION

In conclusion, the study found out that East African Development Bank has services which it offers to multinational enterprises. These services are geared towards facilitating the growth of multinational enterprises. Hence, through these services multinational enterprises have been in a position to grow within East Africa. Therefore, the study found out that there is a direct link between the growth of multinational enterprises and the services East African Development Bank offers. Hence for East African Development Bank to enhance its objective of growth of multinational enterprise, it has to recognize vibrant, efficient and well regulated markets which are a perquisite for sustainable multinational enterprises' growth within East Africa.

CHAPTER FOUR: GENERAL CONCLUSION AND RECOMMENDATION

Introduction

This chapter discusses the general conclusion of the main findings of the study as well as the recommendations made to both the financial institutions and the multinational enterprises.

General conclusion

The study was carried to find out how financial institutions (local and international) can facilitate the growth of multinational enterprises in East Africa. It is clear from the above findings that most of the multinational enterprises directly benefited from the services offered by financial institutions and their growth is linked to effective financial institutions managerial tools like monetary policy, exchange rates, and interest rates which plays a major role in facilitating the growth of multinational enterprises. Therefore, there is a closure relationship between multinational enterprises and financial institutions.

The study explored how the financial institutions use these managerial tools in mobilizing and allocating financial resources and determining productivity and the growth of multinational enterprises. Therefore the study found out that the main function of financial institution is to allocate resources, saving, investment and coordinate lenders and borrowers.

Further found out that a financial institution is a set of interdependence rather than independent institution and whose main objective is strengthening multinational enterprises. The financial institution accomplishes this objective by offering a mix of financial products and services to viable enterprises. On the other hand multinational enterprises have effect on the financial institutions growth as it depends on its deposits.

Moreover, the events that happen within a multinational enterprise are the operation of financial institutions. For example the price of most multinational enterprises are determined by the level of interest rates which are influenced by overall monetary policy of banking institutions

Therefore activities of financial institution within East African region play an important role in facilitating the growth of multinational enterprises.

In addition the general conclusion of the study is that East African Development Bank plays a major role in facilitating the growth of multinational enterprises within East Africa. To facilitate this objective East African Development Bank offers different services like long term loan, medium term loans and the short term loans. Further, it offers loans guarantees to international financial institutions on behalf of multinational enterprises. These services have promoted effective growth of multinational enterprises within the region.

Recommendations

As the study discovered that there is a direct link between the function of financial institution and the growth of a multinational enterprises the following recommendations are recommended:

The banking institutions, non-banking institutions and assorted institutions should formulate and implement monetary policies geared to realizing and maintaining price stability. These functions include the macro policies like the monetary control which is essential for the stimulation and stabilization of the economy which is favorable for multinational enterprises. This is because multinational enterprises are greatly affected by the macro economic environment forces, that is, forces which are beyond the organization itself like inflation and economic recession.

Together with other institutions like National Investment Authority and Bureau of Standards, financial institutions should coordinate the development and maintenance of a National Statistical System (NSS) which will market the member states (Kenya, Uganda, and Tanzania) within the East African region. This will provide investment opportunities and provide a quick and quality facilitation of multinational enterprises. Thus this National Statistical System will help Multinational Enterprises diversification and planning for effective and efficient decision and policy making process.

Multinational Enterprises should watch the economy trends through observing business cycle and monitoring fluctuations of prices, interest rates and foreign exchange rates. Under its supervision policy, the multinational enterprises will give practical advice to the financial institutions that will facilitate growth of multinational enterprises.

Areas of further research

How financial institutions managerial tools are used to influence the growth of multinational enterprises.

The interrelationship between East African Development Bank and the general growth rate of Multinational Enterprise

APPENDIX 1

EAST AFRICAN DEVELOPMENT BANK EMPLOYEES' QUESTIONNAIRE.

Dear sir/ madam,

I am carrying out a research on the topic, "**how financial Institution (local or international) can facilitate the growth of Multinational Enterprises in East Africa,** in partial fulfillment of the requirements for the award of a bachelor's degree. I therefore seek your co-operation in achieving the goal by kindly filling this questionnaire freely. The information given will be kept strictly confidential and only used for academic purposes.

Tick where appropriate

1. Gender: MALE [ ] FEMALE [ ]

2. Age: 18-34 [ ] 35-44 [ ]

   45-54 [ ] 55+ [ ]

3. Do you have any special services you offer to Multinational Enterprises

   YES [ ] NO [ ]

   If YES, state how they work

   ....

   ....

4. Why do you provide these services?

Profit [ ] Advertising [ ]

Charitable growth [ ] Facilitate MNEs growth [ ]

5. Do you think these services have been of benefit to the Multinational Enterprises?

   YES [ ] NO [ ]

   How?

   ....

   ....

6. Can you directly/indirectly relate the growth of Multinational Enterprises to the services that you provide?

   YES [ ] NO [ ]

7. How do you advertise these services?

   ....

   ....

APPENDIX 2

MULTINATINAL ENTERPRISE EMPLOYEES' QUESTIONNAIRE.

Dear sir/ madam,

I am carrying out a research on the topic, "**how financial Institution (local or international) can facilitate the growth of Multinational Enterprises in East Africa,** in partial fulfillment of the requirements for the award of a bachelor's degree. I therefore seek your co-operation in achieving the goal by kindly filling this questionnaire freely. The information given will be kept strictly confidential and only used for academic purposes.

Tick where appropriate

1. Gender: MALE [ ] FEMALE [ ]

2. Age: 18-34 [ ] 35-44 [ ]

   45-54 [ ] 55+ [ ]

3. Do you benefit from the services offered by Financial Institutions?

   YES [ ] NO [ ]

   How, (if NO why)

   ....

   ....

4. Do the services help you to grow to be a Multinational Enterprises

YES [ ] NO [ ]

5. How do you get to know about the services?

Adverts [ ]

Attending press conferences [ ]

Reading Financial reports [ ]

Others, specify

....

....

6. How can Financial Institution offer its financial services?

Reducing borrowing rates [ ]

Design processes to minimize its exposure to risk [ ]

Recognizing vibrant, efficient and well regulated

Markets which are a perquisite for sustainable

Social and economic development [ ]

APPENDIX 3

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Office of the Dean
School of Business and Management

Date: 24th July, 2006

RESEARCH AND DEVELOPMENT DEPARTMENT,
EAST AFRICAN DEVELOPMENT BANK,
KAMPALA.

Dear Sir/Madam,

RE: MR. KENDAGOR TITUS KIPRUTO REG.NO.BIB/3438/31/DF

This is to confirm and inform you that the above referenced gentleman is a bonafide student of Kampala International University pursuing a Bachelor of International Business Administration Degree programme in the school of Business and Management of the University.

His title of the Research Project is "HOW FINANCIAL INSTITUTIONS (LOCAL AND INTERNATIONAL) CAN FACILITATE THE GROWTH OF MULTINATIONAL ENTERPRISES IN EAST AFRICA" A CASE STUDY OF EAST AFRICAN DEVELOPMENT BANK.

As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and reading materials from your place.

In this regard, I request that you kindly assist him by supplying/furnishing him with the required information and data he might need for his research project and also by filling up the questionnaire.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,

24/07/06

DR. Y. B. NYABOGA
ASSOCIATE DEAN – SCHOOL OF BUSINESS AND MANAGEMENT
TEL.NO. 0752 843 919