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**IMPACT OF BANK DEPOSIT INTEREST RATES ON CONSUMER
EXPENDITURE IN THE EAST AFRICAN COMMUNITY**

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the Research Proposal contains no material previously published or written by another person except where due reference is made in the Research Proposal itself.

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ABSTRACT

Bank deposit rates are a critical factor in determining consumer expenditure. This study tries to understand the effect that changes of bank deposit rates have over different periods of time in the East African Community countries that is Kenya, Uganda, Rwanda and Tanzania. This study will be effective in informing policy making by various governments as they keep in mind the welfare of the citizens while setting the benchmark of Bank Deposit rates.

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1. Chapter one

1.1. Background

Bank deposit interest rates can be defined as the rate a bank sets out to pay its customers who save for keeping money in an account. Annual interest rate is the interest paid over a period of one year. Consumer expenditure is the amount of money spent by households in an economy. When bank interest rate, increase or decrease, they have an effect of changing consumer expenditure, either increasing it when bank deposit rates go low, or decreasing it when consumer expenditure goes higher. Interest rate changes are brought about by factors such as political short term gain, inflationary expectations in economies that generally exhibit inflation, action by banks whereby they can change the interest rates to slow down or speed the economy and the status of the economy whereby if the economy is strong interest rates are high.

An increase in bank deposit interest rates would result in consumers increasing their savings, since they can receive higher rates of return. Decreases in bank deposit interest rates push consumers towards increased spending. A critical factor in deciding the way in which consumers lean is the current level of rates and expectations regarding the future rate trends. An example is whereby, if rates fall from 5% to 4%, and there's the expectation that there will be a further decline in rates, consumers may hold off on financing major purchases until lower rates are available. However, in cases where rates are already at very low levels, consumers will spend more to take advantage of good financing terms.

This study shall focus on four East African countries namely Kenya, Uganda, Rwanda and Tanzania where no prior studies have been undertaken on the relationship between bank deposit interest rates and consumer expenditure. However, it is observed from World Bank Reports in 2010, 2011, 2012 and 2013 that in East Africa, as bank deposit rates increase, consumer expenditure decreases. Take for an example, Kenya, in the year 2010, the consumer expenditure was 1.8 Billion Kenyan Shillings, the bank deposit rates was 6%, an increase from 4.3% in the year 2009 when the consumer expenditure was 1.9 billion (Shahid, 2010). This study endeavours to highlight this relationship between bank deposit rates and consumer expenditure.

1.2 Problem Statement

Several studies have been undertaken with regard to the relationship between consumer expenditure and interest rates. Wilcox (1990) found that interest rates have a great effect on consumption, but it should be noted they operate through nominal¹ not real² interest rates. The nominal rate of interest is quoted in loan and deposit agreements. Nominal interest rate effects are not confined to expenditure on durables but also on nondurables and services. These effects are believed to come about because the household sector becomes increasingly borrowing constrained as nominal interest rates increase and lenders impose limits on interest rate payments.

Maggio, Rodney, & Marco(2014) found that that bank deposit interest rate or monthly payment reductions can help improve households' cash-flow and liquidity constraint problems, and should be considered as potential policy responses in the aftermath of asset price booms fuelled by debt. Mishra (2008) finds that an increase of 50 basis points or half a percentage point in bank deposit interest rate leads to an "immediate decline in consumption expenditure" by as much as 10%.Mudit & Shamika(2009) found that an increase of 50 basis points in the interest rate on deposits leads to an immediate decline of consumption expenditure by 12 percent.

No prior study has been undertaken in Kenya, Uganda, Rwanda and Tanzania to determine the relationship between bank deposit interest rates and consumer expenditure. The foregoing implies that there is a need for a closer look at bank deposit interest rates in East Africa and its impact on consumer expenditure and establish the relationship between the variables.

1.3 Research Objective

The main objective of this study is to establish the relationship between bank deposit interest rates and consumer expenditure in Kenya, Uganda, Rwanda and Tanzania.

1.4 Research Question

¹ Nominal rates of interest can be explained to be that rate of interest before inflation is taken into account.

² Real rate of interest can be defined as the rate of interest that an individual receives after taking inflation into account.

What is the relationship between bank deposit interest rates and consumer expenditure in Kenya, Uganda, Rwanda and Tanzania?

1.5 Significance of the research

The significance of this study is to inform the policy debate on the bank deposit interest rate-consumer relationship and also to contribute to the existing literature on the impact of interest rates on consumer expenditure. This contribution is achieved by evaluating the changes of bank deposit interest rates in four East African countries from 2005-2015 and the impact they had on consumer expenditure. This study is therefore significant as it could inform the respective Central Banks on the most effective monetary policy to employ while taking into account the welfare of its citizens. Academics and researchers will also understand the relationship between bank deposit rates and consumer expenditure in the East African countries of Kenya, Uganda, Rwanda and Tanzania; an area that had not been previously researched on.

2. Chapter Two: Literature Review

2.1 Introduction

Research has been undertaken in the past pertaining to the impact of bank deposit interest rates on consumer expenditure. In this respect, this chapter shall analyse work done by a number of different authors on impact of interest rates on consumer expenditure growth as well as models used to explain the same. This chapter will also examine the theories that underpin this study.

2.2 Theoretical framework

This section provides a review of some of the theories that have shown the relationship between bank deposit interest rates and consumer expenditure.

The effect of interest-rate changes on lifecycle consumers: the theory

Future income and desires is to be considered by individuals who have chosen their current consumption and saving in the life cycle model. Baranzini (1982) finds that when there is a change in the interest rates on consumption and saving the effects are felt and have therefore been well divided into 3 categories.

The basic logic

Interest rate changes affect the consumption and saving of an individual, among the effects is when the individual opts to substitute consumption for saving during his various stages in life (elasticity of substitution). One's rate of time is a factor to be considered if one is going to be willing to substitute. This refers to the individual using his expenditure now or in the days to come for example, a person with a 20% rate of time will forego \$10 of consumption if only he can get \$10.10 in exchange in the future, this will therefore encourage saving among individuals.

Three effects

Forgoing two dollars of today's consumption will certainly cause an increase in the amount of future consumption which is among the first effects of an increase in bank deposit interest rates. In a case scenario whereby today's consumption is considered to be more expensive than the day after, it becomes inevitable that individuals will be lured into

saving more today for tomorrow's sake thus causing them to save today hence causing them to consume less. This effect is known as the substitution effect.

The lowering of the present discounted value (PDV) is the second effect of increasing bank deposit interest rates. Individuals get a sense of a lifetime security from increased bank deposit interest rates this then causes them to consume more today and save less, this is because increase in interest rates makes expenditure on consumption in the near future to become less costly. This effect is known as the income effect.

A decline in the present discounted value of benefit pension earnings as well as future labour, is an effect of lowering the present discounted value of what individuals are expecting as their income. This is among the effects of an increase in the interest rate as then there is a gradual decline in the present discounted value of upcoming incomes who have stored up assets. This leads individuals to save up more and spend less today as this effects promise to make them worse off in a lifetime if the initiative of saving and consuming less is not taken up.

Combining the effects

In combining the above mentioned effects namely; substitution, income (which is under the assumption that it is unaffected by interest rate changes) and wealth effects one is able to cause a change in an individual's expenditure on consumption as well as his or her savings. An increase in the bank deposit interest rates causes one owns income to increase this is only applicable in circumstances where the individuals owns a bank account and therefore inevitably the income of the bank owner is lowered by the equal amount. An economy's capacity in its productiveness is not unchanged (in the short run), therefore ones aggregate income should not also be changed.

Keynes' absolute income hypothesis

$$C_t = \lambda Y_t$$

Where

- C_t is consumption at time t .
- λ is the Marginal propensity to consume ($0 < \lambda < 1$)
- Y_t is income at time t .

When there is a bank deposit interest rate increase not only are consumers encouraged to save more as it causes an increase in their income but they are also less willing to spend their resources in risky investments.

A macroeconomic relationship between income and consumption was developed by Keynes' in his general theory. In this theory he explained that with a high income individuals are more likely to spend more, this was a result of a decrease in the bank deposit interest rates. This therefore explained that real consumption is a result disposable income, total income net of taxes.

Alimi(2015) carried out a study on the relationship between consumption expenditure and income according to Keynes Absolute Income Hypothesis in Nigeria. This model was then tested for the period 1970-2011 and it later revealed that because of an increase in one's income there was a natural inclination to consume more as was found by Keynes.

C-CAPM (Consumption-based Capital Asset Pricing Model)

Shinobu, & Oshima (2000), using the consumption-based capital asset pricing model found that a decrease in interest rates stimulates personal consumption and on the contrary an increase in interest rates will increase growth level through consumption. This is to mean that with high interest rates investors find it more suitable to consume less today and invest more as this will bring in more money from the investment and will therefore they will spend more consumption in the coming days.

The consumption beta is included and the expected return is calculated as follows:

$$r = r_f + \beta(r_m - r_f)$$

r = expected return on security or portfolio

r_f = risk free rate

β = consumption beta (of individual company or weighted average of portfolio), and

r_m = return from the market

2.3 Empirical review

The following section provides a review of some of the empirical literature that has been done in the area relating to bank deposit interest rates and consumer expenditure.

A study by Mudiit and Shamika (2009), found that an increase of a half percentage point interest rate led to an immediate fall in expenditure for consumption by upto 10% the magnitude was estimated to be about 12.8%. This study was concluded after a research was undertaken to find an estimation on the response of consumption to real net of inflation interest rate. National sample survey looked at individuals expenditure on consumption using their details such as, their transactions, date of births and level of saving, this samples were obtained from the Bank of India that had a sample of close to 40,000 individuals whereas the bank data recorded upto 80, 000 clients.

Separate data dictates that when bank deposit interest rates increase there is a lowering in consumer expenditure, this analysis was carried out after a comparison between 60 year olds and 59 year olds was carried out. Although the interest rate on consumption was said to reduce and so become smaller in the long run. A suggestion was then made that when interest rates increase by 50 basis points the consumption by the aged 60 year olds fell by 10%, this is because the cost of money increases therefore leading to a fall in private demand thus a decrease in aggregate demand. High interest rates increase savings and attracts foreign inflows that leads to appreciation of currency.

The effect of nominal interest rates on consumer expenditure is a study that was conducted by Wilcox (1990), on the month of October. In his study, it was found that interest changes have a huge impact on consumption but in this case it not only works through nominal and not real interest. The cause of rise is said to be because individuals who borrow in the name of nominal interest rise cause lenders to begin to put limits on interest rate payment causing the consumer to spend depending on the nominal interest rates. It is to be noted that interest rise causes individuals to have a positive change in cash flow as found by Cantor (1989), this was also agreed to by Goodman (1988).

2.4 Conceptual framework

The conceptual framework will show the relationship between the dependent variable and independent variable in this study. Consumer expenditure will be the dependent variable as its value depends on the bank deposit rates and the bank lending rates. The study will also include control variables, which are the level of employment in the country, the Gross Domestic Product of the country (GDP) and the population of the country. The link between the dependent and independent variables will be measured using the Panel Vector Auto Regression Model in case the variables show integration

The conceptual framework was brought about by review of theoretical literature.

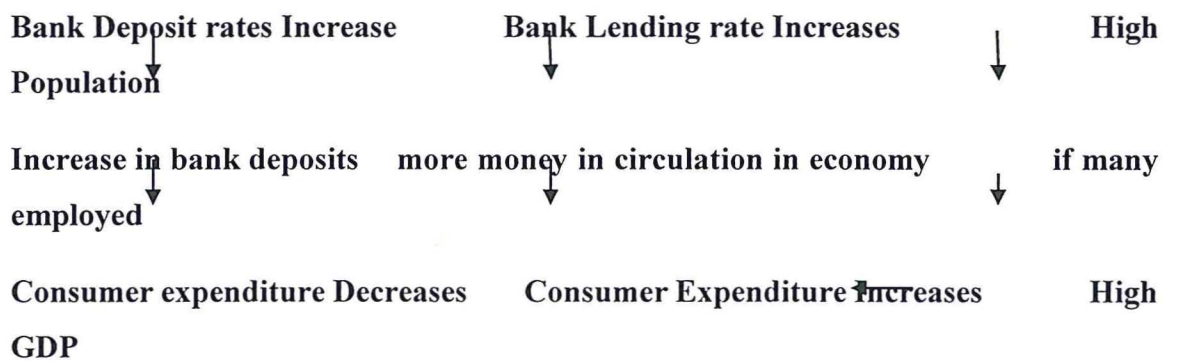


Figure 1: Diagrammatic representation of the conceptual framework

3. Chapter Three

Methodology

3.1 Introduction

This chapter presents the methodology for this study. The purpose of this study was to find out the impact of bank deposit interest rates on consumer expenditure.

3.2 Research design

This research employs a quantitative approach to test the research hypotheses of whether bank deposit rates have an impact on consumer expenditure. This research design can be broken down to a descriptive research design where this study attempts to provide more information on the research topic. To enhance reliability and credibility, this quantitative design focuses on numeric data and statistics. The study used data from the year 2005-2015 for the following variables: Consumer Expenditure, Bank Deposit Rates and Bank Lending rates. Data collected from Secondary sources include International Monetary Fund, respective Central Banks and the World Bank.

3.3 Population and Sampling

Population

The focus is on the consumer expenditure, the bank deposit rates and the bank lending rates for member countries of the East African Community.

Sampling

The consumer expenditure, the bank deposit rates and the bank lending rates will be obtained for selected countries within the East African Community; that is Kenya Uganda, Tanzania and Rwanda. Burundi and South Sudan were not included in this study due to data unavailability. The time period used for the study is from 2005-2015.

3.4 Data collection

The study will use secondary sources of data for the analysis covering the period 2005-2015. This study will rely on Secondary data that is the Consumer Expenditure, the Bank Deposit Rates and Bank Lending Rates from the following sources: International Monetary Fund and the World Bank Annual Report. The International Monetary Fund consists of the Consumer Expenditure of the selected countries, the population of the

countries and the level of employment in the countries. The World Bank Annual Report Consists of the Bank Lending Rate, the Bank Deposit Rates and the Gross Domestic Product of the Countries (GDP)

3.5 Model Specification

This paper will use an econometric model in the form of:

$$\ln Y_{it} = \beta_0 + \beta_1 \text{Bankdepositrate}_{it} + \beta_2 \text{Lending rate}_{it} + \sum_3^5 \beta_n X_{it} + u_{it}$$

This is a multivariate model with 5 variables namely, bank deposit rates and bank lending rates, level of employment of the countries, the Gross Domestic Product (GDP) and the Population of the countries.

Dependent Variable:

$\ln Y_{it}$: Logarithm of consumer expenditure in country i at time t .

These are the expenses incurred in consumption.

$\text{Bank deposit rate}_{it}$: Bank Deposit interest rates in country i at time t

This is the amount of interest that a bank gives to its customers who deposit funds within their accounts.

Lending rate_{it} : Lending Rates in country i at time t

This is the amount of interest that a bank charges its customers when they borrow funds from it. Thus variable was introduced in this study because lending rates determine amount of money in the economy and hence consumer expenditure.

The control variables (X_{it}) to be included are the level of employment in the country, the logarithm of Gross Domestic Product of the country (GDP) and the logarithm of population of the country.

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are coefficients that represent the intercept, bank deposit rate, bank lending rate, the level of employment in the country, the GDP of a country, and the population of the country respectively. μ is the error term.

3.6. Data analysis

The following are the steps to be carried out in this study;

Levin-Lin-Chu Test

Since this study is panel data in nature, this paper will conduct a panel data unit root test to check if the data is stationary. The Levin-Lin-Chu Test suggests the following hypotheses,

H_0 : each time series contains a new root.

H_1 : each time series is stationary.

In the first step, we will run Augmented Dickey-Fuller in all of the cross sections in the equation

$$\Delta y_{it} = \rho_i y_{i,t-1} + \sum_{L=1}^{\rho_i} \theta_{iL} \Delta y_{it-L} + \alpha_{mi} d_{mt} + \varepsilon_{it}$$

This study then runs two auxiliary regressions

1. Δy_{it} on $\Delta y_{i,t-L}$ and d_{mt} to obtain the residuals \hat{e}_{it}
2. $y_{i,t-1}$ on $\Delta y_{i,t-L}$ and d_{mt} to get residuals $\hat{v}_{i,t-1}$.

Finally the study standardizes the residuals by performing

$$\tilde{e}_{it} = \hat{e}_{it} / \hat{\sigma}_{\varepsilon i}$$

$$\tilde{v}_{i,t-1} = \hat{v}_{i,t-1} / \hat{\sigma}_{\varepsilon i}$$

$\hat{\sigma}_{\varepsilon i}$ denotes the standard error from each ADF

The regression will be in the form of

$$\tilde{e}_{it} = \rho \tilde{v}_{i,t-1} + \varepsilon_{it}$$

Regression analysis

This is a statistical process of estimating relationships among variables. This study will use the Panel least squares regression to determine the relationship between its variables. In case the probability of the T statistic after conducting the regression analysis is less than 5%, we reject the null hypothesis. The null hypothesis is that the data is non stationary. The regression analysis will be conducted at first difference after conducting the unit root test among the variables. The coefficients that result from the regression analysis will be read as the percentage in which the consumer expenditure will be increased or decreased if there is a percentage increase in a certain variable.

Normality test

After the regression analysis, this study will conduct a normality test to determine if the residuals are well modelled by a normal distribution and also to compare how likely it is for a random variable underlying the data set to be normally distributed. The null hypothesis for the normality test is that residuals follow a normal distribution.

4.0 Chapter four

Data analysis and presentation of results.

4.1 Introduction

This chapter presents the empirical findings of this study. The sections in this chapter have been divided based on the different empirical tests that were carried out towards achieving the research objective of this study.

4.2 Stationarity tests

All the variables in the study were tested for stationarity using the Levin Lin Chu Test. According to the tests carried out, the following were the results reached for each of the variables. The null hypothesis for the Levin Lin Chu test is that the data isn't stationary.

Employment

At levels

T-Statistic	Probability
-1.10519	0.1345

Table 1: Employment Stationarity test

This test statistic is insignificant at a level of 5% given its probability value of 0.1345 which is greater than 5% hence we evaluate it at 1st difference.

At 1st difference

T-Statistic	Probability
-4.92912	0.00

This test statistic is significant at 1st difference, because the probability value is less than 5%. We therefore reject the null hypothesis hence the data is Stationary.

Consumer expenditure

At levels

T-Statistic	Probability
-2.89511	0.0019

Table 2 Consumer Expenditure Stationarity test

This test statistic is significant at 5% since its probability is less than 5%. We therefore reject the null hypothesis. The data is stationary.

At 1st difference

T-Statistic	Probability
8.488276	0.000

This test statistic is significant at 5% since its probability is less than 5%. We therefore reject the null hypothesis. The data is stationary.

Deposit rate

At levels

T-Statistic	Probability
-5.22938	0.000

Table 3 Deposit Rate Stationarity test

This test statistic is significant at 5% since its probability is less than 5%. We therefore reject the null hypothesis. The data is stationary.

At 1st difference

T-Statistic	Probability
1.832915	0.0756

This test statistic is significant at 5% since its probability is less than 5% .We therefore reject the null hypothesis. The data is stationary.

Gross domestic product (gdp)

At levels

T-Statistic	Probability
-0.72447	0.2344

Table 4 GDP Stationarity test

This Test Statistic is insignificant at a level of 5% given its probability value is greater than 0.05.We therefore evaluate it at 1st difference.

At 1st difference

T-Statistic	Probability
-2.71243	0.0033

This test statistic is significant at 1st difference since its probability value is less than 5% and hence the data is Stationary.

Lending rate

At levels

T-Statistic	Probability
-2.21731	0.0133

Table 5 Lending Rate Stationarity test

This test statistic is significant at 5% since probability is lower than 0.05.In this case, we reject the null hypothesis and so the data is stationary.

At first difference

T Statistic	Probability
10.90458	0.0000

This test statistic is significant at 5% since probability is lower than 0.05. In this case, we reject the null hypothesis and so the data is stationary

Population

At levels

T-Statistic	Probability
-4.05883	0.00

Table 6 Population Stationarity test

This test statistic is significant at 5% since its probability is less than 5% and hence we reject the null hypothesis. The data is stationary.

At first Difference

T-Statistic	Probability
-3.674859	0.0008

This test statistic is significant at 5% since its probability is less than 5% and hence we reject the null hypothesis. The data is stationary.

4.3 Regression analysis

This study will conduct a regression analysis at first difference to determine the impact of all the variables in the study on the consumer expenditure. This study conducted the regression analysis using the Panel Least Squares Method.

Variable	Coefficient	Std. Error	t-Statistic	Probability
CONSUMER	3.66149	0.431907	8.488276	0.0000
DEMPLOYMENT	0.058639	0.024980	2.347436	0.0249
DEPOSIT RATE	0.098806	0.053907	1.832915	0.0756
DGDP	-0.131863	0.050304	-2.621304	0.0130
LENDING RATE	0.291438	0.026726	10.90458	0.0000
POPULATION	-0.036270	0.009870	-3.674859	0.0008

Table 7 Regression Analysis

4.4 Interpretation of results

The Employment rate, Consumer Expenditure, Gross Domestic Product, Lending rate and Population all have their T Statistic significant at 5%, hence we reject the null hypothesis which is the data is stationary.

The deposit rate, the T Statistic is insignificant at 5% but significant at 10%. We will reject the null hypothesis. The data is therefore stationary.

4.5 Interpretation of the coefficients

A percentage increase in employment rate increases consumer expenditure by 5.86% which is in accordance with theory. In theory, when employment rate increases, more people in the economy have an income to spend and hence consumer expenditure increases.

A percentage increase in deposit rate increases consumer expenditure by 9.88% .In theory, an increase in deposit rate leads to a decrease in consumer expenditure since more people would prefer to save in order to earn interest on their money deposited in the bank.

A percentage increase in lending rate leads to an increase in consumer expenditure by 29.14%. This is against theory, whereby when lending rate increases, there is a decline in

number of people who can access credit, because the lending rates are high, and hence a decline in consumer expenditure.

A percentage increase in population leads to a decrease in consumer expenditure by 3.62%. This is against theory, as with increase in population, there is increase in demand for goods and hence an increase in consumer expenditure.

A percentage increase in level of GDP leads to a decrease in consumer expenditure by 13.1% which is against theory. In theory, an increase in GDP would mean the economy is doing well and there is money in circulation and hence an increase in consumer expenditure.

VARIABLE	COEFFICIENT
F Statistic	49.56683
R squared	0.879362
Adjusted R-Squared	0.861621
Durbin Watson Stat	0.988684

Table 8 Variables and coefficients

Probability (F-Statistic) 0.000000

Durbin Watson stat

This is a number that tests for autocorrelation in the residuals from a statistical regression analysis. This Statistic is always a value between 0 and 4. A value of 2 means there is no autocorrelation in the sample. Values less than 2 signify positive serial correlation and one greater than 2 signifies negative serial correlation. In this case, this is a positive serial correlation in the model.

F statistic

The F Statistic has a probability of zero showing it is statistically significant at level of 5% and hence there is a meaningful relationship between dependent and independent variables.

R squared

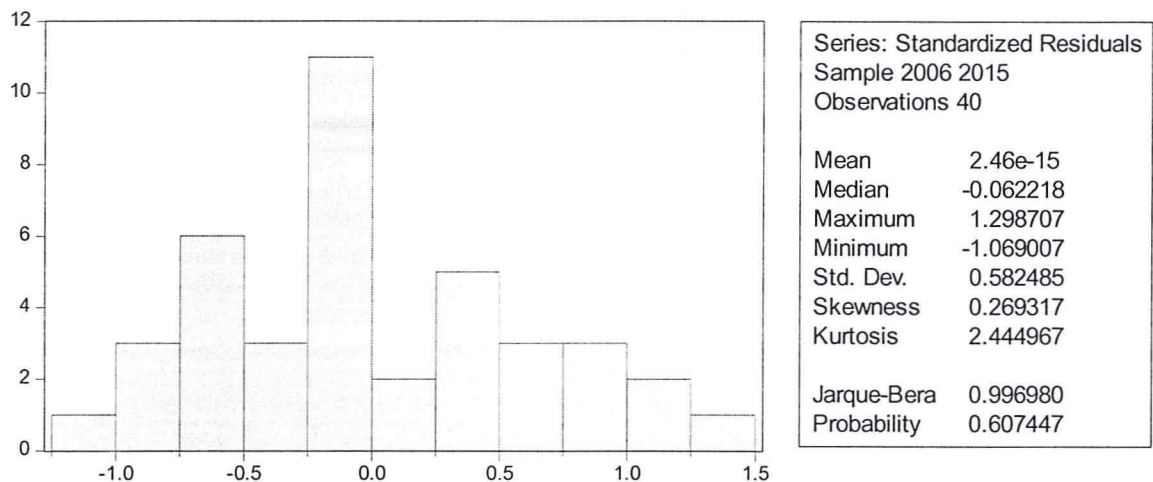
R squared shows percentage of dependent variables explained by the regressors. 87.95% of consumer expenditure is explained by the independent variables which are employment, deposit rate, GDP, Lending rate and Population.

Adjusted r squared

The adjusted R Squared works like the R squared but penalises for additional regressors that do not increase explanatory power of the model hence adjusts for number of terms in the model.

4.6 Normality test

This study conducted a normality test on the residuals to determine if the residuals are well modelled by a normal distribution and to also compute how likely it is for a random variable underlying the data set to be normally distributed. The results achieved are listed below.



Null hypothesis: Residuals follow a normal distribution. We can observe from the probability value of 0.60 that there is a very high probability for the residuals to follow a normal distribution. The Null hypothesis is therefore accepted.

5.0 Chapter five

Conclusions and recommendations.

5.1 Summary

The purpose of this study was to examine the impact of bank deposit rates on consumer expenditure in the East African Countries, Kenya, Uganda Rwanda and Tanzania.

To address the above objectives, data on Consumer Expenditure and Bank Deposit Rates was collected from the years 2005-2015. This study also used Bank lending rates, Gross Domestic Product, Population and Level of Employment as the control variables of whose data was collected from 2005 to 2015.

The Levin Lin Chu Test was used to test for stationarity among all the variables in this study. A regression analysis was also run among the variables to show the impact the variables had on consumer expenditure.

Overall the study found that Bank deposit rates have an impact on consumer expenditure, as a percentage increase in deposit rates leads to an increase in consumer expenditure by 9.88%.

5.2 Conclusion

Bank Deposit rates have an impact on consumer expenditure .An increase in Bank Deposit Rates would lead to an increase in Consumer expenditure. This study established a percentage increase in bank deposit rates would lead to an increase in consumer expenditure by 9.88%.

Contrary to theory which states that an increase in lending rates leads to a decrease in consumer expenditure, this study established that a percentage increase in lending rates leads to an increase in consumer expenditure by 29.14%.

This study established that an increase in population has a negative effect on consumer expenditure as a percentage increase in population leads to a decline in consumer expenditure by 3.62%.

The study also established that a percentage increase in level of GDP leads to a decrease in consumer expenditure by 13.1% which is contrary to theory which states that an increase in GDP leads to an increase in consumer expenditure.

5.3 Shortcomings of the Research and Areas of further Research

One shortcoming of this study was the limited data points as data was only comprehensively available from 2005 to 2015. Additionally three countries from the East African Community that is Sudan, Southern Sudan and Burundi were excluded from this study due to insufficient comprehensive data.

There was also positive serial correlation in the data set meaning an error in one period is carried onto the next period hence affecting the accuracy of the study. An area of further research is to assess the impact the consumer expenditure has on some of the variables, such as impact of consumer expenditure on the level of employment, or on the Gross Domestic Product.

5.4 Recommendations of the study.

Contrary to theory, this study has shown that an increase in Bank deposit rates would lead to an increase in consumer expenditure and an increase in lending rates would lead to an increase in consumer expenditure. This would inform policy making whereby the Government would have to set a benchmark for bank deposit rates and bank lending rates with the effect it would have on the consumer spending in mind which would affect the welfare of its citizens.

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