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Assessment of Domestic Private Investment in Wolaita Zone: Case of Sodo, Areka and Bodity Cities

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Abstract

Investment constitutes an important economic component that matters for economic growth. In the case of Ethiopian context, although private sector investment has shown improvement following the 1995 economic reform it still has a fluctuating feature. This study has made assessment of domestic private investment in Woliata Zone. Using clustered random sampling, a sample size of 96 respondents is drawn from three reform city administration of the zone, namely: Areka, Bodity and Soddo. The researcher indentified variables based on literature, and customized these variables to the context of the Zone. The variables are: Access to finance (both bank credit and traditional finance sources), Availability of good infrastructure, Success stories of other Investors, Availability of good government bureaucracy, Availability of Good investment environment, Extent of investment potential in the Zone. To achieve its objective the study used descriptive statistic, and also linear regression analysis is applied to indentify major factors that have influence on domestic private investment in the Zone. The finding indicates that only Success Story, Good government bureaucracy, investment potential of the Zone and Good investment environment are found to be factors positively contributed to the domestic private investment activities of the zone. The role of other variables such as infrastructure, availability of finance and the feasibility of the business are found to be statistically insignificant. In ordered to assess the role of finance in the investment trend of the zone, the study also assessed the major sources of finance for domestic private investors in the Zone. Accordingly the findings revealed that although significant amount of investors use bank as source of finance, still the majority of the investors relay in on traditional credit systems such as IQUB and loan from relatives. Regarding the availably of the finance the respondents indicated that they disagree. The finding also indicates that the majority of the study subjects do not rely on the modern business consultations and feasibility studies rather they go for investment based on the success stories of others.

Keywords: Investment, Domestic private investment, Wolaita Zone

Introduction

Private Investment is a key to long-term economic growth (Khan & Reinhart, 1990). However, private sector investment has shown improvement following the 1995 economic reform it still have a fluctuating feature (Alemayehu 2007). Declining investment ratios and levels are a problem, firstly because investment matters for growth, and secondly because low investment increase vulnerability in the economy (Mlambo and Oshikoya, 2001). One of the key challenges facing the country with the regard to [domestic private investment] is among others is lack of awernance among the ivesters about the modern business system (Mebratu 2013).

In the case of Ethiopian context, although private sector investment has shown improvement following the 1995 economic reform it still have a fluctuating feature (Alemayehu 2007). Additionally, the role of private sector in the economy is minimum compared with that of the public sector (Agenor, 2004). When it comes to the regional particularly in SNNPR level of private investment is minimal. The 2011/12 annual report by the Wolaita zone administration indicates that the manufacturing sector economic activity of the zone is very minimal. On the other hand the shares of service and trade are very high compared with others. And most of the investors in the zone are following traditional ways of doing business.

Research Objective

The purpose of this study is to identify the major factors that influenced the domestic private investors in Wolaita zone to make their investment in the Zone.

Research Questions

I. What are the major factors that initiated the investors to invest in the Zone?
II. Which of these factors have strong influence in the domestic private investment pattern of the Zone?
III. What are the major sources of finance for investors?
IV. What intention does investors have towards the application of Modern business system in their investment activity?

Significance of the Study
The research is expected to contribute first and for most; for the Wolaita zone economic policy makers. Also it will have a greater impact in influencing the university so as to design certain kind of community service program in which local investors will be benefited Further, it will serve as a bench mark and reference material for those who want to conduct further research in the same area. The findings of the study would contribute to the body of knowledge in a way that it adds value to the theory of domestic private investment.

Research Hypothesis
The empirical literature on private investment behavior in developing countries seems to have focused on testing several hypotheses advanced to explain variations in private investment (Oshikoya, 1994). The hypotheses to be tested in this study are that factors mainly influence the domestic private investors in Woliata zone make their, to invest or not to invest decisions. Specifically the researcher hypothesize a relationship between private investment and the seven identified variables: Access to bank credit, Access to traditional credit sources, Access to loan from relatives, Availability of good infrastructure, Success stories of other Investors, Availability of good government bureaucracy, Extent of availability of information on raw material.

Background of Wolaita Zone
Wolayta zone is one of the fourteen zones of the region covering an area of 4471.3 km2. For administrative purpose it is divided in to twelve woredas namely, Boloso - Sore, Damot- Galle, Damot- Weyde, Sodo- Zoria, Kindo- Koisha, Aofa, Kindo didaye, Humbo,Damot- Sore, Damot -Fulase,Duguna- Fango, Boloso- Bombe Topographically the zone lies on an elevation ranging from 1200 to 2950 meters above sea level. The total population of the zone is estimated about 1721339 with a density of 385 inhabitants per square kilometer. The zone has three agro -ecological zones. Dega (3%) Weynadega (57.96%) and Kolla (40%). The annual average temperature of the zone is 15.1°Cand the mean annual rainfall ranges from 1200 to 1300 mm. Regarding the land utilization data, 261,000 hectares (ha) is used for cultivation, 5318 ha for grazing, 8261 ha. Bush- land and the remaining 35382.5 ha is a cultivable land.

Sodo town is the administrative center of the zone. It is among the 18 growth- pole town selected in the region. It is located at a distance of 383 km. south of Addis Ababa and 157 km away from Awassa town. Enjoying a woyna-dega climate topographically, the town lies on an altitude of 1483 meters above sea level and has a sloppy topography. Sodo town is among the few tows in the region endowed with good infrastructure access, for instance, road net work, hydro- electric power & cleaned pipe water supply, modern telephone, Banking, educational and health facilities. The town has a graveled road network connection with its neighboring towns, fundamental for transportation access. The main high, way that stretches from Addis to Jinka town passes across Sodo town. The shortest tarmac road path up to Sodo town, has a total length of about 330 km. To promote the involvement of the private sector in industrial initiatives, an industrial zone with an area of 40 hectares is prepared in Sodo town. To promote the involvement of the private sector in industrial initiatives, an industrial zone with an area of 40 hectares is prepared in Sodo town.

Organization of the Study
This study is organized into five parts. Part one deals with the introduction. Part two reviews the relevant literature on investment. The data sources and the preferred methodology are discussed in part three. The data analysis and presentation of results are undertaken in parte four. Part five provides some conclusions and recommendations.

Literature Review
Many researchers have studied private investment from different perspectives, and discussed focused variables and their relationship differently. Most relevant and useful studies for this study are included. Sajawal and Arshad (2007) classified the factors influencing private investment into Economic factors and Non-Economic factors. After testing the hypothesis, results showed that most traditional factors had little or no impact on private investment. Accordingly they concluded that in Pakistan the policy needed to improve the entrepreneurial skills in ordered that people might utilize the funds for productive purposes which could help to reduce the budget deficit of the country.

The literature is fairly settled on the factors that constrained or otherwise determine private investment. Authors such as Bljer and Khan (1984), Greene and Villanueva (1991) Balassa (1988), Serven, L. and A. Solimano. (1992) ,Serven and Solimano (1993), Skully (1997), Pollard and Qalo (1994), Serven (1997), Jayaraman (1996) Duncan et al. (1999) Weder (1998) have carried out empirical and stochastic investigations on the determinants of private Investment. Most of them discovered that Private investment behavior is primarily influenced by the profit motive plus other factors such as wages rate, real exchange rate policies, and raw material costs, rate of inflation and appropriate pricing of capital, labour and land.

Bljer and Khan (1984), indicated that, aside from the factors listed above, private investment would flourish in a supportive environment of cost reductions in power, transport and communications, which are often provided through public investment.

Greene and Villanueva(1994) carried out an Empirical studies on 23 countries and found that public investment in physical infrastructure is complementary to private investment. However, as there is a finite limit for domestic savings, public investment would, in some cases, poses a severe constraint for private investment and would crowd out private investment.

Balassa (1988) in his study of 30 countries showed the presence of a negative relationship between private investment and public investment. In collaborating these findings,

Duncan et al. (1999) pointed out that such a negative relationship might not exist in the case of Pacific Islands, which have no difficulties accessing foreign savings. According to Duncan, user cost of capital is an important factor in any investment decision by the private sector. When the user cost of capital is increased by raising the cost of bank credit or by increasing the cost of retained earnings, which is the main source of financing investment, there is a decline in investment. Whereas there is a consensus in the literatures on the factors discussed so far, findings of various empirical studies are not, however, consistent on the relationship between interest rates and investment. While certain studies Green and Villanueva (1991), Serven, L. and A. Solimano (1992) have confirmed the negative relationship between interest rates and investment, study by others Serven and Solimano (1993 has shown that in repressed financial markets, credit policy affects investment in a distorted manner.

Skully (1997) in his study on Fiji and other countries stressed that the availability of finance at competitive real interest rates was not a constraint for private investment in Fiji.The interest channel transmission mechanism, therefore, depends upon the institutional set up of financial markets. He indicated that as financial sector reforms aiming at deregulation in Nigeria began in 1980s, regulatory measures taken might have affected private investment until the 1986 when the structural adjustment program was launched. Furthermore, he concluded that public sector borrowings crowding out private sector funding was not a problem in Fiji.

Jayaraman (1996) by employing the variability in real exchange rates as an explanatory variable in regression analysis, observed a statistically significant negative relationship between the variability in the real exchange rate and private investment, in his cross-country study on the macroeconomic environment and private investment in six Pacific Island countries

A study conducted by Thomas, (1997) in 86 developing countries examined data on terms of trade, real exchange rates, property rights and civil liberties and concluded that while factors including credit, availability and the quality of physical and human infrastructure are important influences, uncertainty in the investment environment was negatively related to private investment in sub- Saharan countries. between the variability in the real exchange rate and private investment.

Duncan et al. (1999) suggested that although variability in the real exchange rate is a logical proxy for instability in major economic variables as fluctuations in inflation and productivity particularly and generally in fiscal and monetary management are reflected in the real exchange rate, it is not a good measure of the uncertainty linked to policy or the insecurity of property rights and enforcement of contracts or the degree of corruption. Observing that these non-economic factors appear to be significant influences on investment in the Pacific Island countries, Duncan et al. 1999, however, concede that no quantitative or qualitative evidence is available of their size or their impact. In the absence of such evidence, any study on private investment is to be necessarily restricted to the conventional variables.

Looney and Fredriken (1997) studied the possibility whether public investment induced or crowded out private investment. They found out that private investment showed a rapid positive trend. Focus of government investment shifted from large scale manufacturing to energy sector which helped lot to attract private investment in the country.

Khan.M and Rinluhart, C (1990) studied private investment in the developing countries and made detailed discussions how those countries have many economic problems such as low growth rate, inflation and foreign debt, trade balance deficit and low living standard. They made a conclusion that that public and private investment could complement each other rather than compete with each other. Their finding indicates that private investment had larger impact than public investment on economic growth.

Abbas Valadkhani (2004) made study on determinants of private investment in Iran. His finding shows that there is negative relationship between inflation and private investment and that a 1 percent increase in inflation in the long run would result in 1 percent decline in investment in the short run.

TemitopeW.Oshikoyo (1994) made analysis of the determinants of domestic private investment in eight African countries in a period of 1970-1988. Results indicate that infrastructure had a positive impact while non-infrastructural variables had negative impact on private investment. Also the likely impact of domestic inflation rate on private investment performance in middle income countries is positive and insignificant.

Patrick, L (2006) studied factors that determine private investment in Botswana and found a positive significant impact of GDP growth on private investment. According to Patrick, Public investment had a negative relationship with private investment depending on the situation that there was public no infrastructural investment in the country. His finding indicates that inflation rate has an insignificant impact on private investment in both short and long run.

Bazoumana (2004) studied factors that determine private investment in Senegal. On his study he found a significant relationship between private investment and its explanatory variables. Accordingly, public infrastructural investment had positively relation with private investment and GDP. He also found that credit to private sector and trade terms hves a significant negative impact on private investment.

Khaled Sakr (1993) analyzed the determinants of private investment in Pakistan with special emphasis on public investment. Based on the model he tested, he indicated that private investment has a positive relation with GDP growth, with government investment and with credit extended to the private sector.

Weder (1998) conducted a study on 21 Sub-Saharan African countries using data on institutional factors. The institutional factors which he employed were qualitative information on annual ratings of the following indicators: the rule of law, quality of bureaucracy, policy surprises, credibility of announcements, degree t o which business can participate in making new rules, predictability of judiciary enforcement, security of property rights theft and crime, extent of availability of information on new rules, frequency of corruption; uncertainty of corruption, and corruption perceived as an obstacle to business. He rated all indicators from 1 (worst) to 6 (best). He drawn data on quality of bureaucracy and the rule of law from a private firm study on international country risks. All others were drawn from the data collected by the World Bank and University of Basel. His model lay its base on private sector surveys conducted in 73 countries in Africa, Asia and Latin America in preparation for the World Development Report 1997 (World Bank 1997). As these data pertain to a short period, a cross-country regression analysis was found more appropriate for the 21-country study. Finally, Weder concludes that factors predictability of judiciary enforcement, theft and crime, security of property rights and are highly significant.

Generally, almost all the factors identified as determinants of private investment in other countries of the world applied to Ethiopia. Nonetheless common sense has shown that variation in private domestic investment in Ethiopia can best be explained by the situation of economic Infrastructures, good government and investment climate. Hence this study shall include the ingredient of infrastructure and investment climate (environment) as the major factors to be investigated, and more importantly take other variables by customizing to the condition in Woliat Zone. Also study shall employ the linear regression analysis to study the relationship between private domestic investment and the various factors that determine or otherwise constrained it.

Methodology of the Research
Research Design
(Saundra, Lewis and Thornhill 2007) Suggest an explanatory study type of research design for researches that study "…a situation or a problem in order to explain the relationships between variables." So, since this study has the objective of identifying the major factors affecting domestic private investment in Wolaita zone particularly in manufacturing sector and factors contributed to the slow growth of private investment in the economy of the zone, by evaluating the relationship among different variables, (which will be explained latter in this part,) the researcher chooses to use an explanatory study as suggested by the above scholars.

Data source of Data and Data Gathering Tool
The main data source is the investors that are selected through sample. The study is based on data gathered using questionnaires.

Target Population
The target population of the study is individual domestic investors registered in the Wolaita zone especially in the three reform cities of the Zone. Clustered random sampling technique is applied because of the fact that target population is gathered from the three cities of the Zone namely, Sodo, Areka, Bodity.

Sample Design
Probability sampling technique, particularly, clustered random sampling is used to draw study subjects by providing a fixe probabilistic chance of being selected for each member of the research target group. In ordered to address all the target groups of the research found in the three reform cities of the zone, clustered random sampling is found to be ideal(Gupta 1997).

The total numbers of the target population of the research in the three cities is 237 , out of which 225 is found in Sodo and 4 is in Areka and the remaining 8 is in Bodity.

Sample Size Determination
The sample size is computed based on the formula proposed by (Hollader, 1999) for single population. The formula for determining sample size is:

$$n = \frac{z^2 p(1-p)}{d^2}$$

Where:

n = sample size

z = margin of error at the Z-value of 1.96

p = proportion of independent variable

d^2 = margin of error

Accordingly, under p = 0.5 the total sample size of the study is determined as:

n = 1.96^2*0.5*(1-0.5)/10^2

= 3.84*.025*0.01

=96

Therefore the total no of the sample is 96 out of the total 237 target population, which is 40.5 % in this approach the researcher choose to take 40.5% sample from each cluster. Accordingly, from sodo cluster 40.5 % of 225 from sodo is 91.25 which is approximately 91; of 8 from Areka is 3.24 ~ 3, and of 4 from Bodity is 1.62 ~ 2.
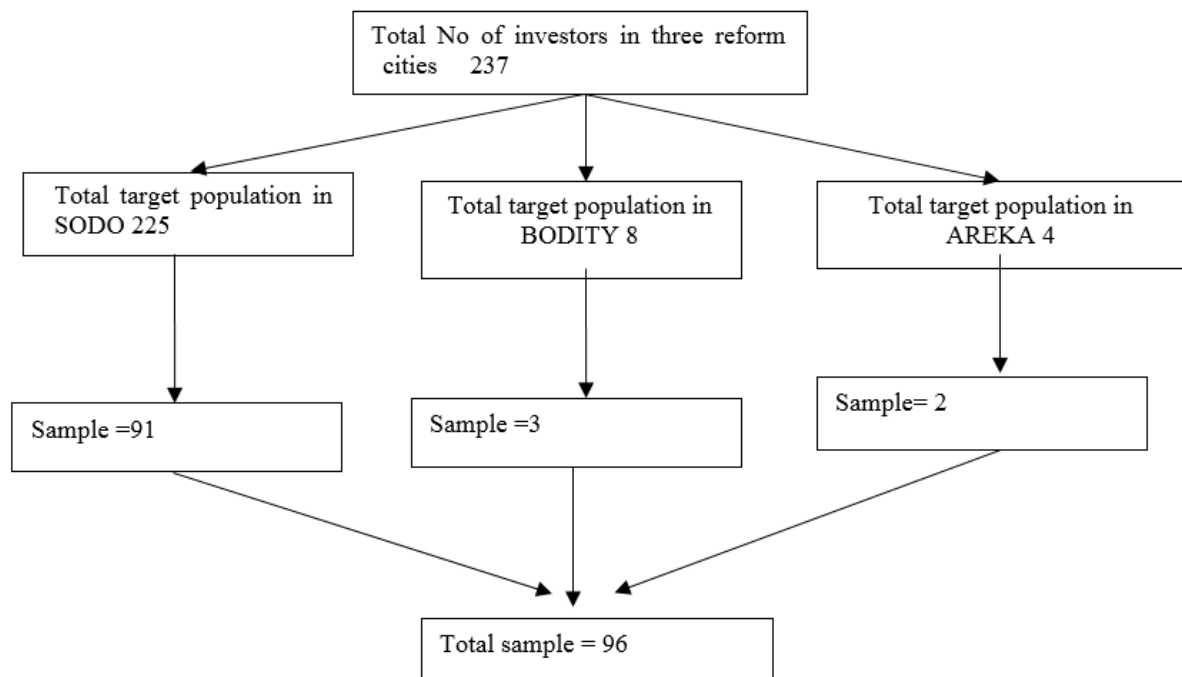

Fig. 3.1 Conceptual frame work for sampling producer

Methods of Data Analysis and Presentation

The data is analyzed using the statistical Package for Social Science (SPSS) software. Data analysis is conducted based on the data obtained from the sample of the research target collected through questioner. Descriptive statistics of mean, standard deviation and correlation coefficient has been computed to summarize the data. Regression analysis is also applied to verify the association of independent variables with the dependent variables. Also multiple regression analysis was calculated in ordered to determine which variables are more significant.

Variables

Based on the literature review the following variables are selected: Access to finance (both bank credit, and traditional credit sources) Access to loan from relatives, Availability of good infrastructure, Success stories of other Investors, Availability of good government bureaucracy, Extent of availability of investment potential in the Zone,

Data Analysis and Discussion

Background of the Study Subjects

The researcher successfully found reached all the 96 randomly selected samples. The respondents completed the questioner with the help of the invigilator as there are some respondents who needed it most.

The background information of the respondents 18.9 is female and 81.3 are male. The age frequency of the study indicates that the majority of the study group, which is 39.6 %, are under the age range of (21-30). This indicates that the majority of the investors are young. The educational background of the research subjects

indicates that 39.6% attended secondary education. Only 18.8 % of the respondents are the constituents' of Diaspora.

From the survey it can be identified that most of the investors are young and the majority are those who attended only secondary education. The dominance of the male is also clearly visible from the survey.

Table 4.1 Frequency table of respondent's background profile

No	Variable	Category	Frequency	Percentage
1	Age	21-30	38	39.6
		31-40	28	29.2
		41-50	17	17.7
		>50	13	13.5
2	Sex	Male	78	81.3
		Female	18	18.8
3	Education	Primary	27	28.1
		Secondary	38	39.6
		Collage	27	28.1
		University	4	4.2
4	Nationality	Ethiopian	78	81.3
		Diaspora	18	18.8

Source: The authors own computation SPSS out put

Investment Experience of the Respondents

The researcher believes that assessing the investment experience of the respondents is very important in ordered to understand the practice of domestic investment culture in the zone. The following table indicates the frequency distribution of the year in which the respondents stayed in the investment activity.

Table 4.2 Frequency of investment experience of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
	<5 yeas	13	13.5	13.5	13.5
	5-10 years	30	31.3	31.3	44.8
Valid	**10-15 years**	32	33.3	33.3	78.1
	>15 years	21	21.9	21.9	100.0
	Total	96	100.0	100.0	

Source: The authors own computation SPSS output

The above table indicates that the majority of the respondents are those who stayed more than ten years in investment which is 33.3%. Those who have been in investment for less than 5 years are only 13.5%. The investors who stayed in the business for more than 15 years are 21.9%.
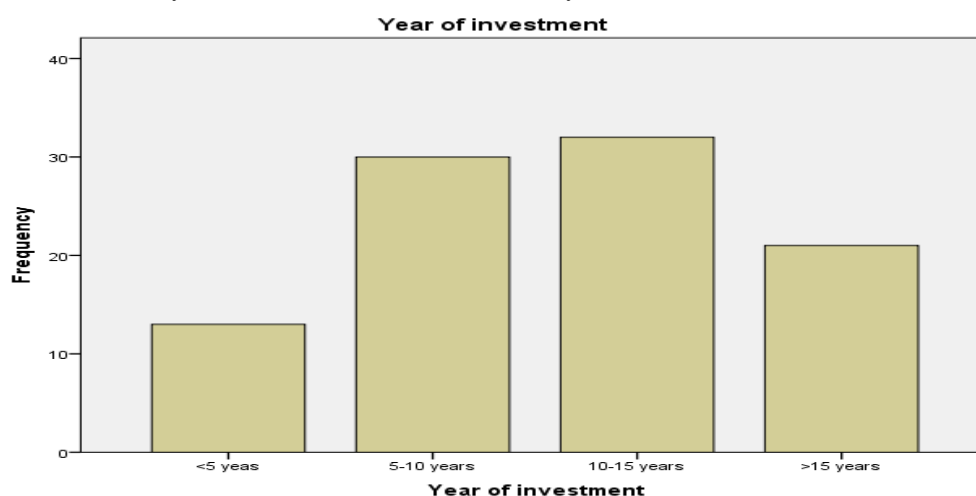

Figure 4.1 Frequency of investment experience of respondents (Source: The authors own computation SPSS output)

Investment Sector Distribution

The other area where the assessment was conducted is in the area of the investment sector distribution. The following table summarizes the distribution of investment areas of investment where the study subjects are engaged in the analysis of the sector there are too groups; the first group of sector is the sector of investment where the respondents are engaged as primary level business activity (the business activity which they started first and currently serving as the main investment of the respondents.) It is denoted as "Primary". The second investment activity is the one which the investors are engaged as additional line of business, which is dented as "Additional"

Table 4.3 Investment sector distribution

Activity	Investment sector	Frequency	Percent	Valid Percent	Cumulative Percent
Primary	General trade	16	16.7	16.7	16.7
	Hotel and tourism	24	25.0	25.0	41.7
	Real state	9	9.4	9.4	51.0
	Manufacturing	10	10.4	10.4	61.5
	Import export	5	5.2	5.2	66.7
	Transportation	16	16.7	16.7	83.3
	Agriculture	16	16.7	16.7	100.0
	Total	96	100.0	100.0	
Additional	General trade	9	9.4	13.0	13.0
	Real state	7	7.3	10.1	23.2
	Manufacturing	1	1.0	1.4	24.6
	Transportation	40	41.7	58.0	82.6
	Agriculture	12	12.5	17.4	100.0
	Total	69	71.9	100.0	
	System	27	28.1		
		96	100.0		

Source: The authors own computation SPSS output

As it can be observed from the above table the frequency of the respondents who are engaged in hotel business as primary business activity is higher than the rest of the others. Its percentage distribution is 25%. Transportation is the area of business activity where the largest numbers of respondents are recorded as the additional business activity.

Table 4.4 Investment sector distribution Case Processing Summary

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Investment sector(primary) * Investment sector(additional)	69	71.9%	27	28.1%	96	100.0%

Source: The authors own computation SPSS output

Table 4.5 Investment sector Cross tabulation

Investment sector Cross tabulation

		Investment sector					Total
		General trade	Real state	Manufacturing	Transportation	Agriculture	
Investment sector	General trade	0	0	1	9	0	10
	Hotel and tourism	5	6	0	6	2	19
	Real state	0	0	0	4	4	8
	Manufacturing	0	0	0	5	4	9
	Import export	0	0	0	3	0	3
	Transportation	3	1	0	2	2	8
	Agriculture	1	0	0	11	0	12
Total		9	7	1	40	12	69

Source: The authors own computation SPSS output

The above table indicates the cross tabulation of investment sectors which shows the distribution of investment sector among the respondents. Out of the total respondents, which is 96 in number 69 are those who are engaged more than one business activities. Transportation and agriculture are the areas where highest response as the additional business activity is recorded.

The Major Factors that Influenced the Investors to Make their Investment

The analysis of major factors that influenced investors to make their investment decision indicates that the frequency distribution of the reasons of investing in the sector which the investors have chosen to invest in the zone. Accordingly, it can be observed that 71.9% of the respondents with the frequency of 69 indicated that they strongly agree that they started the investment activity due to the success of others in the sector. Surprisingly 16.7% of the respondents indicated that they chose the sector which they are now running due to its feasibility. 41.7% disagree that they chose the investment sector based on peer advice, and 30.2% agree that they started their investment based on the advice of the friends. While 60.4% agree that they are influenced by good investment environment, 13.5% disagree that the good investment environment in the zone influenced them. Regarding access to finance 28% agree that it has contributed for their choice of investment however 39.6% disagree the case and 18% don't know or are not sure about its influence on the their choice of investment sector. In the case of good infrastructure about 61% of the respondents agree that it influenced them while they are choosing their investment, but about 28% don't know about it. Finally, while 51% of the respondents agree that good government structure has its own influence on their investment, about 18% of the respondents strongly disagree with it.

Table 4.7 Descriptive statistics

		reason for starting investment is friends success story	reason for starting investment is Good investment environment	reason for starting investment is access to finance	reason for starting investment is potential investment opportunity	reason for starting investment is due to its feasibility to invest	reason for starting investment is due to good infrastructure in the zone	reason for starting investment is due to good gove't structure
N	Valid	96	96	96	96	96	96	96
Mean		3.48	2.54	1.93	2.47	2.05	2.05	1.75
Median		3.59[a]	2.72[a]	2.09[a]	2.60[a]	2.37[a]	2.46[a]	2.11[a]
Mode		4	3	2	3	3	3	3
Std. Deviation		.870	1.055	1.154	.951	1.217	1.325	1.361
Variance		.757	1.114	1.331	.904	1.481	1.755	1.853
Skewness		-2.674	-1.182	-.401	-1.146	-.817	-.846	-.301
Std. Error of Skewness		.246	.246	.246	.246	.246	.246	.246
Kurtosis		8.475	.728	-.679	.921	-1.017	-1.181	-1.774
Std. Error of Kurtosis		.488	.488	.488	.488	.488	.488	.488
Sum		334	244	185	237	197	197	168
Percentiles	25	3.07[c]	2.04[c]	1.09[c]	1.93[c]	1.00[c]	1.14[c]	.42[c]
	50	3.59	2.72	2.09	2.60	2.37	2.46	2.11
	75	.	3.42	2.83	3.28	.	.	.

Source: The authors own computation SPSS out put

In ordered to examine the statistical significance of the above finding the researcher has run a regression analysis. To do so the researcher used the investment sector, for which the respondents have got investment license from the Investment Expansion Agency of the Wolaita Zone, as the proxy for depended variable; and used the above variables as independent variables. The following table summarizes the regression analysis results.

Table 4.8 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.521[a]	.272	.214	1.946	.272	4.695	7	88	.000	1.079

Source: The authors own computation SPSS out put

The tale above indicates that R- value is 52.1 % and the adjusted R- square is 21.4% and significance of .000 and Durbin-Watson is 1.079.

The following table summarizes the beta coefficients of each independent variable obtained from the regression analysis.

Table 4.9 Leaner Regression analysis result

Coefficients

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	4.695	1.414		3.320	.001	1.885	7.506
reason for starting investment is friends success story	.931	.517	.192	1.773	.080	.113	1.978
reason for starting investment is Good investment environment	.292	.367	.140	.795	.429	.438	1.021
reason for starting investment is access to finance	.411	.321	.216	1.279	.204	-.228	1.050
reason for starting investment is potential investment opportunity in the Zone	.302	.544	.131	.554	.581	-.780	1.384
reason for starting investment is due to its feasibility to invest	-.202	.229	-.112	-.884	.379	-.657	.253
reason for starting investment is due to good infrastructure in the zone	.336	.327	.203	1.030	.306	.315	1.813
reason for starting investment is due to good goven't structure	.402	.315	.249	1.275	.206	.225	1.325

a. Dependent Variable: Investment choice

Source: The authors own computation SPSS output

The above table indicates that among the seven variables indicated above only five variables are found to be statistically significant. These are: *success story from* others with Beta-coefficient of 0.192 and t-value 1.773 which does not fall under the rejection area at 95% confidence level. *Good investment environment* is also found to be statistically significant with the Beta-coefficient of 0.140 and t-value 0.795 and finally *Good Government Structure* with Beta coefficient of 0.249 and t-value of 1.275. The good investment potential in the zone is also found to be significantly associated with investment sector choices of the respondents with the Beta coefficient of 0.131 and t-value 0.55. The other variable which is found to be significantly positively related is *Good infrastructure.* With beta coefficient of 0.203. The other variables are found to be insignificant as they fall under the rejection area at 95 % confidence level. Feasibility of the business is found to be insignificant for the respondents as it Beta coefficient is -0.202 and t-vale is -0.884 which is below the lower bound of Beta coefficient at 95% confidence. The same is true for access to finance and Good infrastructure which are found to be insignificant.

2.1. The Readiness of Investors towards the Use of Modern Business System

One of the research questions of the study is to assess the trend of investors in the zone with regard to using modern business system and reliance on business consultations as well as readiness to use it for future.

Table 4.10 Descriptive Statistics for readiness of investors to use modern business system

Descriptive Statistics

		I am willing to use business consultancy if available	I am willing to use business consultancy for the following	Its good to take professionals consultation on modern business	Its not good to start business before consulting professionals	I did get professionals consultation on modern business	Can get professionals consultation easily
N	Valid	96	96	96	96	96	96
	Missing	0	0	0	0	0	0
Mean		2.93	2.73	2.48	2.13	2.31	1.72
Median		3.18[a]	3.09[a]	2.84[a]	2.38[a]	2.25[a]	1.27[a]
Mode		3	3	3	3	2	0
Std. Deviation		1.199	1.380	1.451	1.117	1.029	1.671
Variance		1.437	1.905	2.105	1.247	1.059	2.794
Skewness		-1.355	-1.068	-.972	-1.085	.283	.168
Std. Error of Skewness		.246	.246	.246	.246	.246	.246
Kurtosis		1.190	-.078	-.631	-.249	-1.036	-1.752
Std. Error of Kurtosis		.488	.488	.488	.488	.488	.488
Sum		281	262	238	204	222	165
Percentiles	25	2.31[b]	2.11[b]	.97[b]	1.25[b]	1.41[b]	.16[b]
	50	3.18	3.09	2.84	2.38	2.25	1.27
	75	3.82	3.78	3.60	3.00	3.16	3.36

Source: The authors own computation SPSS output

The table above indicates that mode value 3 for the second column indicate that largest repeated response for the stated variable is Agree as it is denoted in the questioner in the appendix.

Table 4.11 frequency table that indicate readiness of investors to use modern business system

Variables	Degree of agreement	Frequency	Percent	Valid Percent	Cumulative Percent	Bootstrap for Percent[a]			
						Bias	Std. Error	95% Confidence Interval	
								Lower	Upper
I did get professionals consultation on modern business	Strongly disagree	24	25.0	25.0	25.0	.2	4.3	16.7	34.3
	Disagree	34	35.4	35.4	60.4	-.2	4.9	26.0	44.8
	Agree	22	22.9	22.9	83.3	.0	4.3	14.6	31.3
	Strongly agree	16	16.7	16.7	100.0	.0	3.9	9.4	24.0
	Total	96	100.0	100.0		.0	.0	100.0	100.0
Can get professionals consultation easily	Don't know	40	41.7	41.7	41.7	.0	5.1	32.3	52.1
	Strongly disagree	11	11.5	11.5	53.1	.1	3.2	5.2	17.7
	Agree	26	27.1	27.1	80.2	-.1	4.5	18.8	35.4
	Strongly agree	19	19.8	19.8	100.0	.1	4.2	12.5	29.2
	Total	96	100.0	100.0		.0	.0	100.0	100.0
It's good to take professionals consultation on modern business	Don't know	23	24.0	24.0	24.0	.0	4.3	15.6	32.3
	Agree	54	56.3	56.3	80.2	.0	5.0	45.9	65.6
	Strongly agree	19	19.8	19.8	100.0	.1	4.2	12.5	29.2
	Total	96	100.0	100.0		.0	.0	100.0	100.0
It's not good to start business before consultation professionals	Don't know	18	18.8	18.8	18.8	.0	3.9	11.5	26.0
	Disagree	30	31.3	31.3	50.0	.0	4.8	21.9	40.6
	Agree	48	50.0	50.0	100.0	.0	5.3	39.6	60.4
	Total	96	100.0	100.0		.0	.0	100.0	100.0
I am willing to use business consultancy if available	Don't know	10	10.4	10.4	10.4	.1	3.1	4.2	16.7
	Disagree	12	12.5	12.5	22.9	.0	3.3	6.3	19.8
	Agree	39	40.6	40.6	63.5	-.1	4.9	31.3	50.0
	Strongly agree	35	36.5	36.5	100.0	.0	4.9	27.1	45.8
	Total	96	100.0	100.0		.0	.0	100.0	100.0
I am willing to use business consultancy for the next investment	Don't know	16	16.7	16.7	16.7	.2	4.0	9.4	25.0
	Disagree	11	11.5	11.5	28.1	.1	3.1	6.3	18.7
	Agree	36	37.5	37.5	65.6	-.3	4.9	27.1	45.8
	Strongly agree	33	34.4	34.4	100.0	.0	4.8	25.0	44.8
	Total	96	100.0	100.0		.0	.0	100.0	100.0

Source: The authors own computation SPSS output

As it can be seen from the above table only 16% at 0.0 biases and 95 % confidence responded that they strongly agree that they have get professional consultation before they made the investment, while 35% disagree for the same response at -0.2 biases and 95 % which is statistically significant. At 0.0 biases and 95 % confidence about 41% of the respondents are not sure that there is access to professional business consultation. The study revealed that about 56% of the respondents believe that it's good to get business consultation before making investment. At 0.0 biases and 95 % confidence, 34% of the respondents indicated that they strongly agree that they would like use professional consultancy for their next investment if available.

Major Source of Finance for Investment

Another research question which the study is due to assess was the trend of investors in the zone with regard to access and use of finance as well as the understanding towards the role of loan in investment.

Major Sources of Finance for the Investors in the Zone

Investment in literatures access to finance and its proper utilization is indicated as major factor of investment (Fetene, 2013). The following table shows the frequency table.

Table 4.12 Sources of finance for the investors in the zone

Source	Degree agreement while response	Frequency	Percent	Valid Percent	Cumulative Percent	Bootstrap for Percent[a]			
						Bias	Std. Error	95% Confidence Interval	
								Lower	Upper
Saving	Disagree	13	13.5	13.5	13.5	.0	3.4	7.3	20.8
	Agree	77	80.2	80.2	93.8	.0	3.9	72.9	87.5
	Strongly agree	6	6.3	6.3	100.0	.0	2.5	2.1	11.5
	Total	96	100.0	100.0		.0	.0	100.0	100.0
Iqub	Disagree	20	20.8	20.8	20.8	-.1	3.9	13.5	28.1
	Agree	25	26.0	26.0	46.9	.1	4.4	17.7	35.4
	Strongly agree	51	53.1	53.1	100.0	.0	4.9	43.8	62.5
	Total	96	100.0	100.0		.0	.0	100.0	100.0
Bank	Disagree	7	7.3	7.3	7.3	.0	2.6	2.1	12.5
	Agree	55	57.3	57.3	64.6	.2	4.9	47.9	67.7
	Strongly agree	34	35.4	35.4	100.0	-.2	4.8	25.0	43.8
	Total	96	100.0	100.0		.0	.0	100.0	100.0
Family and relatives	Don't know	4	4.2	4.2	4.2	.0	2.0	1.0	8.3
	Strongly disagree	3	3.1	3.1	7.3	.0	1.7	.0	7.3
	Disagree	27	28.1	28.1	35.4	-.2	4.4	18.8	36.5
	Agree	62	64.6	64.6	100.0	.2	4.8	55.2	74.0
	Total	96	100.0	100.0		.0	.0	100.0	100.0

Source: The authors own computation SPSS output

It can be observed from the above table that only 35 % of the respondents strongly agree that they use bank as source of finance while 62 % agree and 53% strongly agree that they use family & relatives and Iqub as source of fund for the investment respectively. Amazingly only 6% strongly agree that they get money for the investment from saving.

Attitude of Investors towards the Role of Loan in Investment
If it is properly managed, Loan is found to be very important for investment since it increase financial leverage of firms. (Ephrem, 2011) Here the response of the study subjects is summarized regarding the treding of borrowing for investment.

Table 4.13 attitude of investors over borrowing

		Frequency	Percent	Valid Percent	Cumulative Percent	Bootstrap for Percent[a]			
						Bias	Std. Error	95% Confidence Interval	
								Lower	Upper
There is enough financial provision	Don't know	27	28.1	28.1	28.1	.0	4.5	19.8	37.5
	Disagree	38	39.6	39.6	67.7	.0	5.2	29.2	50.0
	Agree	31	32.3	32.3	100.0	.0	4.9	22.9	41.7
	Total	96	100.0	100.0		.0	.0	100.0	100.0
It's Good to Borrow to Invest	Don't know	1	1.0	1.0	1.0	.0	1.1	.0	3.1
	Disagree	5	5.2	5.2	6.3	.1	2.3	1.0	9.4
	Agree	89	92.7	92.7	99.0	-.1	2.6	86.5	96.9
	Strongly agree	1	1.0	1.0	100.0	.0	1.0	.0	3.1
	Total	96	100.0	100.0		.0	.0	100.0	100.0

Source: The authors own computation SPSS output

As it can be observed from the table above, 39.6% of the respondents disagree that there is enough provision of finance for investment at 0.00 biases and 95 % degree of confidence. Also the study revealed that 89 % of the study subjects agree that it is good to borrow.

Conclusion

From the study it is observed that the majority of the study subjects are male and young aged. It also revealed that majority of them are those who attended only secondary school. Regarding factors that affected the investment, the finding indicates that only Success Story, Good government bureaucracy, investment potential of the Zone and Good investment environment are found to be factors positively contributed to the domestic private investment activities of the zone. The role of other variables such as infrastructure, availability of finance and the feasibility of the business are found to be statistically insignificant.

In ordered to assess the role of finance in the investment trend of the zone, the study also assessed the major sources of finance for domestic private investors in the Zone. Accordingly the findings revealed that although significant amount of investors use bank as source of finance, still the majority of the investors relay in on traditional credit systems such as IQUB and loan from relatives. Regarding the availably of the finance the respondents indicated that they disagree. Having surprised with the finding that business feasibility has influence on the decision of the investor to invest in a certain sector, the researchers made further assessment toward the trend of investors in the zone with regard to using modern business system and reliance on business consultations as well as readiness to use it for future investment plan. As a result the finding indicates that the majority of the study subjects does not rely on the modern business consultations and feasibility studies rather they go for investment based on the success stories of others.

Finally the researcher suggests further studies needs to be conducted in the area as it is the area where major concern has been given by government. Due to budget constrain, and data limitation, the study only touched a small portion out of much damnation available in the area of private investment in the Zone particularly and the country in general. Thus further studies should be made in developing model that that indicate that all possible factors which really determine domestic private investment of the zone.

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