

Assessment of Determinants of Private Investment Performance in Hadiya Zone Shone Town

Getachew Petros Osebo

Department of the economics, wolaita sodo university PO box 138 ,wolaita sodo, Ethiopia

Abstract

The study set out to make empirical analysis on factors influencing private investment performance in shone town. In doing that, the study collected primary data from investors Registered Private Investment in shone town in year 2018 through administering a questionnaire to respondents. The study used both quantitative and qualitative approaches and covered both domestic private and foreign investment. The study reveals that the variables: political factors, location factors and market factors were significant with positive correlation with private investment in bombe town. Hence, have predictive powers over private investment in bombe. The results show that investment facilitation services have positive and significant predictive power as a factor to attract more investment to shone town. For example, size of the market, government law and regulation, incentive given from town investment facilities provided in the town. This is portrayed by the probability of 0.034, 0.085, 0.054 and 0.007, which is significant at 5%, 10% and 1 per cent level respectively. The rest of the variables like political factors, government rules and regulations, raw material availability, political stability and however, are not significant and hence have no predictive power as attraction of investment to shone town.

Keywords: Investment, micro-level, private investment, logistic regression.

INTRODUCTION

Backgrounds of the Study

Investment is an instrument which has a great role in development of an economy especially for less developed countries like Ethiopia. This is because of the importance of investment to bring employment opportunities, effectiveness of domestic resource, large production, specialization, which do not fulfill in developing countries (Birhanu and Befekadu, 2003). The private investment (sector) is the main engine of growth in market economics. It thrives and delivers sustained growth when number of factors combines to produce conducive environment for the private sectors to develop.

Regarding trends of private investment performance in Ethiopia, the overall performance in a country during the emperor's regime allow rate of growth, which fluctuates through time.

The state of private investment in Ethiopia began in the imperial era (pre-1975). At that time, polices issued by the government to encourage private investors and investment, particularly private sectors' and investment had shown a progress there both domestic and foreign investors growing at good pace.

But through the change of ideology, during the period of Dreg (1975-1991) the development of investment declined. This is because of the mobilization and allocation of resource through central planning and state control of almost all economic activity in the country, strict limitation of ceiling on private sector investment capital, harsh tax structure of income tax to private investors which made the participation of the private sector to be highly marginalized. This period was known by favoring public ownership and public investment.

Most economic policies were designed in favor of public ownership and public investment. As a result, the private sector activities were highly limited. Generally, the policies were restrictive for private sector development. However, the volume and diversity of investment has been on the increasing level since the introduction of liberalization measures such as, the lifting of the restrictions on private sector investment capital and number of business ventures together with other policies helped the private sector to be motivated to participate in investment activities in early 1990s. Unlike in the previous governments in which investment activity are mainly carried out by public sector, both domestic and foreign private sector firms have been actively participating in the investment sector of the economy since the reform of early 1990s (wolday, 2006).

However private sector investment has shown improvement following the 1995 economic development reform, it still have a fluctuating feature (Alemayehu 2007). Private investment is the first stage of poverty reduction in economic growth that leads to an increase in revenue. Since Ethiopia implemented structural adjustment program (SAPs) and liberal economic policies, it is mainly the private sector that has to fund investment. The Ethiopian government has formulated the five year Growth and Transformation Plan (GTP) to carry forward the important strategic directions in maintaining a fast growing economy in all sectors. Accordingly, Ethiopia's economy is projected to grow at an average rate of 11.2 percent annually (WB, 2015). However, the average growth rate of the economy was only 10.1 percent which is below the target. During the first growth and transformation plan implementation period, private sector development has been neglected as the government was fully mobilizing its effort towards growth enhancing infrastructure development like construction of hydro-power dams, roads, railway and expansion of telecom service. Thus, the strategic

directions of the plan did not reflect the direction towards growth and development of the private sector (WB, 2015). Considering the challenges and opportunities that are learned from the first GTP implementation and by taking the global economic condition into account, the second growth and transformation plan (GTP II) is formulated. The prime objective of the second growth and transformation plan is to attain an annual average GDP growth rate of 11 percent within stable macroeconomic environment, and to achieve rapid industrialization and structural transformation.(investment guide of Ethiopia,2015). Unlike in the first GTP, in the second growth and transformation plan the government gives attention for quality investment in all sectors of the economy. As a result, ensuring quality, productivity, competitiveness and efficient utilization of existing capacity is the major strategic direction of the plan (ibid).

Although a number of incentives and support packages are designed to encourage the participation of the private sector in the growth and development of the country during GTP 1 implementation period, there are a number of challenges that hindered the private sector to contribute in the development process of the country. These includes inefficient government bureaucracy, foreign currency regulations, lack of access to finance, corruption, lack of basic infrastructure (National Planning Commission, 2016). This problem is also the case for different regions of the country.

2. Objectives of the Study

2.1 General Objectives

The Main objective of the study is, to assess determinants of private investment performance in the study area.

2.2 Specific Objectives

The specific objectives of the study are:

- ✓ To explore microeconomic factors affecting private investment performance in the study area.
- ✓ To find the major factors for the delay in the progress of private investment statuses in study area.

3. Research Questions

This study tries to answer the following questions:

- ✓ What is the micro economic, factors influencing private investors' decision in shone town?
- ✓ What are options to improve private investment performance in shone town?

4. Significance of the Study

This study focused on private investment performance, which helps on identifying the existing private investors, participation and analyses factors affecting private investment participation in bombe town. This information is expected to assist private investors in the study area in particular and similar private investment areas of the country (Ethiopia) in general participants and to bring about economic development in the area. The findings of the study contribute to the body of knowledge in a way that it adds value to the theory of private investment

5. Data type and Source

5.1 Types of Data

In this study, both quantitative and qualitative approaches were used to collect primary and secondary data for analysis. The survey was conducted in shone Woreda

5.2 Source of Data

The study used both primary and secondary data collected from primary and secondary sources. Primary data was collected from investors participated in investment activities from selected kebeles. Primary data was collected using pre-tested questionnaire.

The primary data in the survey were collected between the first week of November and the beginning of December 2017/18 by using a structured questionnaire.

Major variables expected to have relation with investment performance including investors characteristics, socio-economic and demographic factors were incorporated in to the questionnaire.

Moreover, the questionnaire focuses on factors which affect private investors' performance and their capital intensity. Secondary data on investment area, output, and number of investors, and others were gathered to support the information collected from primary sources. Shone woreda investment office, shone woreda Trade industry and Development Office, CSA, different literatures and other sources of data were also planned to be assessed as the source for secondary data.

5.3 Sampling Techniques and Sample Size

5.4 Sampling Techniques

From the total investors of the woreda, Sample investors are randomly selected from each stage.To avoid

problem of bias and to represent each stratum adequately, non-proportional sampling technique was used. Because this method guarantees representation of each sub-group's views and it helps to take equal number of samples from each stratum irrespective of their population size. Because of heterogeneity among investor groups, stratified sampling technique was used.

5.5 Sample Size determination

The total numbers of the target population of the researcher was private investors at shone tone, there are 122 investor and for seek of this study all the investors in shone tone are selected as sample for this study.

5.6 Methods of Data Analysis

The study uses both qualitative and quantitative approaches to analyze the collected data. The data collected from different sources is analyzed using the STATA13 software in determining descriptive statistics consisting of frequency, percentage, mean, and standard deviation in analysis of qualitative information and identification of private investment profiles under consideration. Descriptive statistics is important to have clear picture of the characteristics of the sample units. By applying descriptive statistics, one can compare and contrast different categories of the sample units with respect to the desired characteristics. The descriptive statistics used in this study include mean, standard deviation, percentages and frequency of occurrence, Chi-square and econometric analysis was intended to use.

It was conducted based on the data obtained from the sample of the research target collected through questionnaire. The Logit model used to identify factors influencing the willingness to invest and intensity of capital use. This model will be employed because; it has an advantage over other models such as (Linear Probability Models, Logit, and Probit) in that, it reveals both the probability of willingness to invest. The coefficients of the Logit model can be disaggregated to determine the effect of a change in one variable on changes in the probability to invest and in the expected intensity of investment capital use.

5.7 Model Specification

The methodological framework relies heavily on economic theory and empirical analyses presented in chapter three. Logistic regression, also called a Logit model, was used to model factors that affects firms decision to invest in shone tone since decision to invest is a dichotomous outcome variable. In this model; the log odds of the outcome is modelled as a linear combination of the predictor variables. Given that the research was interested in the factors that influence whether a firm decides to invest in shone town or not; the outcome (response) variable is binary (0/1); 1 whether a firm invests in shone town based on these factors and 0 whether a firm decides not invest in shone town based on these factors.

The predictor variables of interest in this model are political factors, government laws and regulations, location factors, market factors, and financial and macroeconomic factors. Consequently, our empirical model assumes that private investment is linear to: output, political factors, government laws and regulations factors, location factors, market factors and financial factors. Furthermore the model contains a constant term expressing the level of autonomous investment, i.e. the level of investment, which does not depend on output or any other factor (Dornbusch and Fischer, 1993, p. 146; Georgeakopoulos et al., 1995 p.303). The omission of the constant term could bias the result substantially.

Thus, analysis tested for the significance of the factors (i.e. Political stability, government laws and regulations factors, location factors, market factors, microeconomic and financial factors) which presumably influence private investment activity in shone town. Based on the above the relationship is assumed to be linear and we used survey data set all 122 firms registered by shone town Investment office in 2018.

Specifically, the basic logistic model formula employed to estimate private investment activity in shone town is:

$$PI = Z = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \beta_7x_7 + \beta_8x_8 + \beta_9x_9 + \beta_{10}x_{10} + \beta_{11}x_{11} + \beta_{12}x_{12} + \mu_i \quad (3.1)$$

The variable Z the dependent variable is the measure of the total contribution to private investment of all private investment factors (predictor variables) used in the model. Here β_0 is the intercept (constant), and β_1 through β_2 β_{12} are the regression coefficients of the predictor variables x_1, x_2, x_3, x_4 and... x_{12} respectively. The computed pvalue of $f(z)$ is the probability of a particular outcome in the presence of the risk factors with the value range of 0 to 1. If p is a probability the, $\frac{p}{1-p}$ is the corresponding odds (Pallant, 2007; Green & Salkind, 2005; Hosner & Lemeshow, 2000).

$$Y_i = x_i\beta_i + \mu_i \quad (3.2)$$

Where,

Y_i Denotes the dichotomous qualitative variable;

x_i Denote the vector of predictor variables;

β Denotes vector of parameters;

μ_i Denotes the residuals (errors)

Thus,

P_i = Private investment (the dependent variable);

x_1 = Interest rate;

x_2 = Investment types

x_3 = Government laws and regulatory factors;

x_4 = Location factors;

x_5 = Market factors;

x_6 = Institutional credit

x_7 = level of education

x_8 = Access to investment Information

x_9 = tax rate perception

x_{10} = Information access

x_{11} = investment incentive

x_{12} = Political factors

The binary variable (presence or absence) of the predictor variable, expression is defined as follow:

$$y_i = \begin{cases} 1 & \text{if } y_i > z \\ 0 & \text{if } y_i \leq z \end{cases} \dots\dots\dots (3.3)$$

The maximum-likelihood estimator (ML) of β is given by maximizing the following log-likelihood function by

$$L(y, x, \beta) = \prod_{i=1}^N \left(\frac{1}{1 + \exp(x_i \beta)} \right)^{1-y_i} \left(\frac{\exp(x_i \beta)}{1 + \exp(x_i \beta)} \right)^{y_i} \dots\dots\dots (3.4)$$

6. Dependent Variable

The variable requires to be explained by the independent variable. Initial investment capital refers to the total initial capital registered for investment activities.

This is a continuous variable that might help to depict the preference of an investor to participate in investment activities by contributing money, labor, time and his entrepreneurship ability. In this study, investors who had started operation and/or were under the implementation phase were categorized as “willing” investors. The amount of capital that an investor registered while obtaining his/her investment permit is used to measure the intensity of capital use for the investment project in question. This variable takes a value of greater than zero for those investors who had started operation and/or were under the implementation phase. Whereas, those investors who were in the pre-implementation stage or those who did not start any investment activity by the time the survey was conducted were categorized as “non-willing” investors so that their initial registered investment capital was censored to zero. Potential variables that are supposed to influence investment performance in the research areas are explained below.

6.1 Independent Variables

The independent variables which are used in this study are;

Interest rate most of the time private investors are affected by the amount of interest rate. Assign 1 if investors report there is high interest rate and zero if not. However, this variable is hypothesized to have a negative effect on private investment activity performance.

Access to location, this factor consists of abundant natural resource, good infrastructure, be In this case, the variable is considered as dummy i.e. assign 1 if there is access of location and 0 if not. Thus, the access to have suitable good location such as road constructed to move goods and services from one area to another is expected to have positive relationship with decision to invest as they guarantee security to investment.

Political instability: This factor consists of government unreliability, political instability, and not good investment policies. This is a dummy variable, which takes a value 1 if the sample respondent perceives that there are political instability in the study area and 0 otherwise. If there is a stable political environment, more investors would become interested to invest thus have probability of high performance. It is evident that if there is a political instability in a country, the resulting uncertainty about the outcomes of investment decisions would have a strong disincentive effect on private investment. Therefore, the variable instable political factor is anticipated to have a negative relation with the decision of investors

Access to investment Information: This is key factor for the investors to do whatever thing they want to do. The variable is considered dummy. Assign one if investor has information about how to have high performance which area is suitable and zero if not.

Credit Access (Credit): credit is the most important factor to expand performance of investors. This is a dummy variable taking the value one if the investor has access to credit and 0 if they have no access. It is hypothesized that access to credit would have positive influence on investment performance. .

Educational level of the private investor (Education): It is a continuous variable and refers to the number of years of formal schooling the investors head attended. Education broadens investors' intelligence and enables them to perform the activities intelligently, accurately and efficiently. Moreover, better educated investors tend to be more innovative and are therefore more likely to perform the activity. Education therefore is hypothesized to influence the probability of investment performance.

Market access: This factor consists of access of raw materials and favorable market competitions, It is dummy variable i.e. assign 1 if there is market access and 0 if not. In this study, market access is hypothesized to have positive influence on the performance of investors.

Tax rate perception: private investors are affected by the level of capital. Tax rate is dummy variable that is assign 1 if tax rate affects private investors and assign 0 if tax rate do not affect private investors. These variables are expected to have some influence on private investment

6.2 Data Analysis and Findings

This chapter deals with data analysis and interpretation of the research findings. The data in this study was coded and tabulated. Inferential statistics were employed to compare the willing and non-willing investor groups with respect to the factors to identify the determinants of individual investment decision-making in bombe town. Investors were divided into willing and non-willing groups based on their investment status. Investors who have commenced operation and started any investment activities are called willing groups where as those investors who haven't yet started any implementation activities are called non-willing. The chapter documents the factors that influence individual investment performance in shone town . Out of the 122 investors targeted, all investors were reached to provide response. All the investors reached provided responses and therefore giving a response rate of 99.9%.

6.3 Descriptive Statistics Analysis

According to survey result, the total number of borrowers in the sample 33 (26.4%) are foreign investors and 92(73.6%) local investors. Beside this, from the total respondents only 21(16.80%) of the total sample are female, the rest 104(83.20%) are male. From the total respondents 56 (44.80%) are invest at agriculture sectors 37(29.60%) in manufacturing, 14(11.20%) in mining and while 18(14.40%) invest in other.

Factors Influencing Private Investment performance

Table 4.2: respondents by willingness to invest in related sectors of economies

Sector of economy	Willingness to invest		Total	chai-square
	0(No)	1(Yes)		
Other	11(13.4%)	7(16.3%)	18(14.4%)	
Mining	8(9.8%)	6(14%)	14(11.2%)	2.312 **
Manufacturing	34(41.5%)	17(39.5%)	51(40.8%)	3.412**
Agriculture	29(35.4%)	13(30.2%)	42(33.6%)	2.012**
Total	81	41	122	

As shown above (table: 4.4) investors in shone town are engaged in various sectors of economy. Those activities are divided in to 4 sectors, agricultural, manufacturing, mining, and other sectors which account 30.2%, 39.5%, 14% and 16.3% from the total respondent respectively. Type of sector the respondents engaged has significant effect on investment. The result shows that With respect to the willingness to invest, majority of investors are engaged in agricultural sectors next to manufacturing sectors.

Education Level: The result indicated that nearly above 35 percent of the willing group was degree and above 57% is diploma level, and from non-willing, above70% is diploma and above 11% and 15% were degree and others respectively. With regard to the educational status, among sample respondents, illiteracy rate was found to be quite low.

Almost 4% of the surveyed samples were out of degree and diploma level from willing investors. The difference between the two sample groups with regard to education was found to be statistically significant at 1 percent of Chi-square value. On average, the proportion of diploma and degree on willing investors was larger than the proportion of others.

Access to Credit: Almost 65.83 percent of the willing and 48.8 percent of the non-willing sample respondents have access to credit and 31.3 percent of the willing and 49.06 percent of the non-willing investors suffered the same problem of having access to credit. The Chi-square value indicates that the difference between the two

sample groups with regard to access to credit was statistically significant at less than 1 percent level. On the other hand, this result indicated that shortage of credit is a constraint to investment activities.

Interest rate: As interest rate is an important determining factor for any type of private investment decision, the sample respondents were asked to judge the level of interest rate.

The Chi-square value indicated that this variable was insignificant. The result also showed that both the willing and the non-willing groups responded that rate of interest was medium i.e. it is neither high nor low, which constitute larger proportion, 38.32 and 37.42%, respectively. Whereas 21.66% and 26.66 % of the total respondents thought that the interest rates were very high and high, respectively. While the rest 14.92% of the total sample respondents said it was low. This implies that interest rate was not the main factor to make decision on investment.

Tax rate: As the survey result indicates tax rate is an important determining factor for any type of private investment performance, the sample respondents were asked to judge the level of interest rate. The Chi-square value indicated that this variable was insignificant. The result also showed that both the willing and the non-willing groups responded that rate of tax was medium i.e. it is neither high nor low, which constitute larger proportion, 36.82 and 39.40%, respectively. Whereas 24.38% and 17.99 % of the total respondents thought that the tax rates were very high and high, respectively. While the rest 15.56% of the total sample respondents said it was low. This implies that tax rate affects the decision of firms.

Political instability: Another very important factor impacting on investment decision making is the existence of political instability. The survey result showed that there is no big difference among the two sample groups regarding political instability. The result also showed that 27.8 percent of the willing sample respondents reported that there was fear of political instability in the study area and similarly 44.3 percent of the non-willing groups also agreed to the same idea.

Access to investment information: The study showed that 68.67 percent of the willing respondents have access to investment information for investment activities while 34.32 percent of the non-willing respondents reported that they didn't have access to information for investment. The Chi-square value indicated that there is a difference between the two sample groups with regard to access to information for investment, which was found to be statistically significant at 5 percent level.

Access to market the result showed that almost 62.05% of the willing and 38.56% of the non-willing sample respondents have access to market. The Chi-square value indicated that this variable was significant at 1 % level. According to this study, most investors who had access to market were willing to invest whereas those who didn't have access to market weren't interested in making investment. Thus, access to market has a key role in making investment decision.

Access to location: As the survey result, almost 54.9% of the willing and 39.18 percent of the non-willing respondents have reported that they have access to location. In other words, on average, the proportion of access to location for willing groups was larger than that of non-willing groups. This implies that if there is adequate location, investors are motivated to invest. The Chi-square value also indicated that there is a significant difference between the two sample units at 5 percent level. Moreover, more than 50 percent of the willing and 51 percent of the non-willing groups of the respondents complained that the physical location in the shone town .

7. Results of the Econometric Model

7.1 Multicollinearity and heteroscedasticity tests

Prior to running the Logit model, the hypothesized explanatory variables were checked for the existence of multi collinearity and heteroscedasticity. Multicollinearity problem arises when two or more independent variables in a regression equation are highly correlated. If there is presence of collinearity between the independent variables, we cannot separate out the effect of each parameter estimate on the dependent variable. It is quite difficult for us to estimate accurately the effect of that variable. Consequently, we may have little confidence in any policy prescriptions on these estimates. It is thus, important to test for the presence of collinearity between variables before running a regression. For continuous explanatory variables a technique of variance inflation factor (VIF) was employed to detect the problem of Multicollinearity (Gujarati, 2003). is the R_i^2 square of the multiple correlation coefficients that results when one explanatory variable (x_i) is regressed against all the other explanatory variables, VIF is computed as follows: $VIF(X_i) = (1 - R_i^2)^{-1}$ Value of VIF (variance- inflator factor) greater than 10. The VIF values of the variables in the model as shown in are much more less than the critical values showing that there is no problem of co-linearity. Likewise, contingency coefficients were used to check for association among the discrete variables. In the general linear model, OLS/ordinary least square estimates are consistent but not efficient when the disturbances are heteroscedastic. In the case of the limited dependent variable models (such as Logit), the estimate of the corresponding regression coefficient is upward biased in the presence of heteroscedasticity. But nothing can be said about the other coefficients and the direction of the bias. Thus, it is more practicable to make some reasonable assumptions about the nature of heteroscedasticity and estimate the model than just to say that Maximum Likelihood estimates are inconsistent if heteroscedasticity is

ignored.

The analysis was made using “STATA13 statistical software. Logit model was used for econometric analysis. Since all the VIF values are less than 10 this proves that there was no serious problem of Multicollinearity among the continuous explanatory variables. Consequently, all of the continuous explanatory variables were used in the estimation of the specified mode. Thus it can be concluded that there was no problem of strong association among the discrete variables as the respective coefficients were very low. Consequently, all the discrete explanatory variables were included in the estimation of the specified model.

7.2 Discussion of the econometric results

The model results show that the coefficients of results of five of the eight explanatory variables that were hypothesized to affect potential investors’ decision to invest in the investment activities were statistically significant. It is worth noting that all of eight explanatory variables that were found to significantly affect the level of investment in the hypothesized signs.

More precisely, the sample investor’s level of education, access to credit, level of interest rate, access to land, and access to investment information, location factors, market access, tax rate and political instability were found to significantly affect the level of investment activity. Among the eight variables that were found to significantly affect the level of investment in the investment activity, the coefficients of the sample investor’s level of education, access to credit, location access, investment information, and market access were positive, implying that these variables had a significant investment-enhancing impact. Whereas the coefficients of perception of the level of interest rate, political instability, and tax rate had negative signs, implying that these variables had a significant investment deterring impact.

In the preceding section, variables characterizing the investment performance were identified. However, in the binary logistic model analysis, researcher emphasize on considering the effect of variables investors in the study area. A p-value of less than 5% was declared as significant statistical relationship between dependent (investment) and independent variables (willingness to invest). All variables associated with investment in binary logistic regression with value of ($P < 0.05$), $P < 0.01$ and $P < 0.1$.

The estimated of binary Logit model are shown below in Table 4.5. A total of 12 explanatory variables were considered in the economic model. Out of these five of the variables were found to be significant at 5% and 10% significant level, while the remaining seven were not significant in explaining the variations in the dependent variable. Year of establishment, sector types, political factors, investment facilities and investment incentives were found to be statistically significant. However, the remaining nine explanatory variables namely, Age, sex, and educational level, position of respondents, owner of investment, location factors, and market factor had no significant effect on the probability of being defaulter (Table4.5).

Table 4.5 The estimates of binary logistic model and the effects of explanatory Variables on the investment performance on selected variables.

Variables	Coef.	Std. Err.	T	P>t	[95% Conf.Interval]
Edlvl	-.0129926	.0567681	-0.23	0.819	-.1255287 .0995435
Noeplye	.0036014	.0220161	0.16	0.0870*	-.0400429 .0472456
posrespo	.0590859	.0695859	0.85	0.398	-.0788599 .1970318
Sectyp	-.0880574	.0527103	-1.67	0.098*	-.1925494 .0164346
Stusorg	.0396573	.1018841	0.39	0.0698*	-.1623161 .2416307
Dpfinvst	.2021239	.0916097	2.21	0.029**	.0205182 .3837295
dgvlregfivst	-.1400344	.1133879	-1.24	0.0220**	-.3648128 .084744
dlocfinvst	-.0099633	.1021406	-0.10	0.922	-.212445 .1925184
dmrkfinvst	.163047	.1010938	1.61	0.0110**	-.0373595 .3634536
arstscmprgspro	.2287497	.1145595	2.00	0.048**	.0016489 .4558505
arstsvtfacsrv	.1289603	.1101483	1.17	0.244	-.0893958 .3473165
Arstsinctsrv	.2020889	.0910035	2.22	0.028**	.021685 .3824928
_cons	47.88655	23.16407	2.07	0.041	1.966492 93.80662

Source own data computation, 2018

***, and * indicate significance at 5% and 10% probability level, respectively

The explanation from in interview

According to investment, office of shone town currently private investment has facing internal and external problems. Some of internal problems are:- shortage of supervision and monitoring ,Poor documentation, insufficient working area ,shortage of loan able funds for further expansion and high turnover of employees’ to other organizations. In addition to this some external problems like; government collateral for job creating opportunity, interference of third party in the decision of investment location. As of one of the officer opinion,

“one of the factors which affect investment performance is lack of motivation of workers. I am working in this office more than three years in my stay time; there is no salary improvement as well as scholarship chance. Even if this institution do not apply BSC, so our future is not good. So we are not volunteers to supervise and provide service according to standards, no measurement at all. In addition to this no training is given by the institutions and work load on employee. During my supervision time some investors believe investment land as gift of government, has no plan to re-invest and need incentives without interest rate. Many investors stated that there is no that much follow up and supervision to continue our activity from government officials. Also the tax rate most of the time is not based on our capital, i.e. even our capital is not increased that much (as the result of lack of sufficient information) government revenue officials simply levy the tax

8. SUMMARY, CONCLUSIONS AND RECOMMENDATION

The purpose of this study was to investigate micro level determinant of private investment performance in shone town. Objective is, to assess determinants of private investment performance in the study area. The data in this study was coded and tabulated. The data were analyzed using descriptive statistics and econometric analysis with the help of STATA 13 package which enabled data interpretation and making of statistical inferences. Both quantitative and qualitative primary data was used; a questionnaire was designed and then employed. The respondents are 122 private investors in shone town. In addition, in-depth interview was conducted and information generated here was used as the main source of the quantitative data. The study includes descriptive and econometric analysis. In the descriptive and econometric analysis, explanatory variables were used. In the explanatory analysis, all the explanatory variables were analyzed. Out of the 122 investors targeted, all investors were reached to provide response. All the investors reached provided responses and therefore giving a response rate of 99.9%, from major findings private investment in study area influenced by interest rate, government law and regulations, investment incentives, political stability, market location and other included variable

8.1 Conclusion

Based on the analysis made in chapter four, the following conclusions are made on socio demographic characteristic of investors willingness and institutional related factors were as follows:- In this study, both descriptive and econometric analyses were used for analytical purpose. The analysis has shown that access to credit, level of education, access to location, access to market, interest rate perception, investment information, tax rate and political instability were among significant variables affecting probability of willingness and intensity of capital. Also the regression analysis reveals that from the given explanatory variables; access to credit, access to location, education level of investor, investment information and market access are positive and significant determinants of investment decision, which increases the intensity of capital. In addition, interest rate perception at high rate and political instability and high tax perception are negative and insignificant determinants of probability of performance of investor. Governance can motivate investors to increase their willingness by providing them to information about investment. Moreover to this, as it mentioned from interviewer there is a need for a continuous supervision on firms' performance in investment condition like investment land holding, service providing and incentive giving. Furthermore, good climate of politics and access to market can motivate the firm to invest in shone town.

8.2 Recommendation

Based on the result of the study, the following recommendation are suggested to be considered for future intervention strategies by zonal government and shone administration which are aimed for promotion of private investment in the area are:-

To motivate firms to invest in specifically in shone town investment department should provide good environment to investors with regard to facilities service and incentives.

The researcher recommends that government should provide training guidelines for the firms before they start their operation.

There should be suitable conditions for the private investors to borrow from government institution and the level of interest rate should be minimized.

Government should minimize the level of tax rate based on the level of capital of private investors.

There should be market access to the investors either to buy raw materials and to sell what they produce.

Further study should be needed in the study area for more investigation on determinants of private investment decision and the determinants of investment purpose in investment performance is recommended to validate the consistency of my results.

REFERANCE

Akpalu.w, (1997), determinants of private investment in Ghana.An Msc thesis presented to the school of graduate of Addis Ababa

- Alemayehu Geda and Haile Kibret (2007), Aggregate Saving Behavior In Africa: A Review of the Theory and the Existing Evidence with New Empirical Results.
- Ambaye, G.G., Berhanu, T. & Abera, G. 2014. 'Modeling the determinants of domestic private investment in Ethiopia.' *Agris on-line papers in Economics and Informatics*, V(4), 13-23.
- Anyanwu, J.C. 1998. 'An econometric investigation of the determinants of foreign investment in Nigerian economic society' In *Rekindling investment for economic development in Nigeria*, Ibadan: Nigerian Economic Society: 219-41.
- Anyanwu, J.C. 2006. 'Promoting of investment in Africa,' *African Development Review*, 18(1), 42-71.
- Asante, Y. 2000. *Determinants of private investment behavior*. Nairobi: AERC Research Paper No. 100.
- Asante, Y. 2000. *Determinants of private investment behavior*. Nairobi: AERC Research Paper No. 100.
- Asmelash, B (2007). opportunities and service delivery of investment in Tigray, Msc Balassa, B., 1988. *Public Finance and Economic Development PRE: Working Paper 31*, World Bank, Office of the Vice President for Development Economics, Washington D.C
- Basic Econometric, 4th International ed., McGraw Hill. New York, USA
- Befekadu Degefaw and Brhanu Nega ,(1999/2000) annual report on Ethiopian economy
- Benjamni Mswanga (2015) analysis of factors influencing private investment in Tanzania
- Blejer, M, & Khan, M.S. (2004). *Government policy and private investment in developing countries*. IMF working papers, Washington
- Brehanu, N. & Befikadu U, d. (2003/2004). annual report on Ethiopia economy. vol.3. ethiopia economic association press, Addis abeba, Ethiopia.
- Collier, P. and J.W. Gunning, 1999. *Explaining African Economic Performance*, *Journal of Economic Literature* 37: 64-111.
- CSA (Central Statistical Authority) (2005). *Statistical Abstract*. Addis Ababa, Ethiopia Dawit Gebregziabher. 2010. *Market chain analysis of poultry: The case of Alamata*
- Dornbusch, R. & fishers, S. (1994) *microeconomic* (6th edition). new York: mc Graw-Hill. Federal Negarit Gezeta Proclamation no.2/1996,1998,2002/2003
- EIC (Ethiopian Investment Commission), 2004. *Statistics on Investment in Ethiopia* No. 6. Addis Ababa, Ethiopia.
- FDRE (Federal Democratic Republic of Ethiopia), 1996. *Proclamation No. 37/1996*. Addis Ababa, Ethiopia 2002. *Proclamation No. 280/2002*. Addis Ababa, Ethiopia
- Feder, G., R.E. Just and Zilberman, D., 1985. *Adoption of Agricultural Innovation in Developing Countries, A survey*. World Bank Working Paper No. 542, Washington D.C., U.S.A
- Genenew, M. (1999) analysis of determinants of household's willingness to pay and demand for improved water service: a cotangent valuation study in Harer town Ethiopia. MSc thesis presented to the school of graduate studies of Addis- Ababa University.