

**Determinants of Investment Activities: *In Jimma Town,  
Oromia Regional State***

*A Thesis Submitted to the School Of Graduate Studies in Jimma  
University in Partial Fulfillment of the Requirements for the Award of  
the Degree of Master Of Science (MSC) in Economics*

BY:

**ABDULBASIT ABADURA**



**JIMMA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF ECONOMICS**

**NOVEMBER, 2021**

**JIMMA, ETHIOPIA**

**Determinants of Investment Activities: *In Jimma Town,***  
*Oromia Regional State*

BY:

**ABDULBASIT ABADURA**

Under the Guidance of

Main Advisor: Mr. Tesfaye Melaku (MSC)

Co-Advisor: Mr. Aleka Jeldu (MSC)



*A Thesis Submitted to the School of Graduate Studies of Jimma  
University in Partial Fulfillment of the Requirements for the Award of the  
Degree of Master of Science (MSC) in Economics*

**JIMMA UNIVERSITY**

**ECONOMIC POLICY ANALYSIS PROGRAM**

**NOVEMBER, 2021**

**JIMMA, ETHIOPIA**

## DECLARATION

I here by declare that this thesis entitled “*Determinants of Investment Activities: in Jimma Town, Oromia Regional State*”, has been carried out by me under the guidance and supervision Mr. Tesfaye Melaku (MSC) and

Co-advisor Mr. Aleka Jeldu(MSC)

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institution.

Researcher’s Name

Date

Signature

---

---

---

## CERTIFICATE

This is to certify that the thesis entitles “*Determinants of Investment Activities: in Jimma Town, Oromia Regional State*”, submitted to Jimma University for the award of the Degree of Master of economic policy analysis and is a record of confident research work carried out by Mr. Abdulbasit Abadura, under our guidance and supervision.

*Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.*

*Main Adviser’s Name*

*Date*

*Signature*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Co-Advisor’s Name*

*Date*

*Signature*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## ABSTRACT

*Investment activity plays a crucial role in the economic growth of a country. Economic literatures show that investment is, both empirically and theoretically, the key determinant to economic growth. Economic growth refers to an increase in a country's production or income per capita. The general objective of the study was to determine the determinants of Investment activities in case of Jimma Town. The study used mixed research approach and adopted a descriptive research designs with the target population of 306 of investors engaged in the investment in the study area. The study used both probability sampling (simple random sampling) and nonprobability sampling (Purposive sampling). For this study both primary and secondary data were used. To check the reliability of this theoretical and empirical review the researcher collected data from 173 respondents and analyzed by using SPSS 23 Version accordingly based upon five variables (Economic factor, Socio-cultural factor, Political factor, Environmental and Financial factor, factor). In this research the both descriptive and inferential analysis was employed. Based on the analysis made of this study the finding of this study was identified. The research was investigated the major determinants of investment activities in the study area and indicates the direction for investment how to deal with those determinants. Some of the main findings of the study were difficulties of finance and lack of credits when they started their business, and low encouragement from the investment offices are the major findings of this study. Finally, investment related problem is not the responsibility of the government alone, but also all investors, the local community, the private business man of the study area has to work together with the government so as to accomplish the anticipated or to mitigate objectives.*

**Key words:** *Investment; Investment Activity; Determinant.*

## Acknowledgement

First, I would like to express my sincere gratitude to my research advisors Mr. Tesfaye Melaku (MSC) for he gave me his valuable professional assistance, constructive comments, and unreserved guidance throughout the course of the study.

I am deeply thankful to my co-advisor, Mr. Aleka Jeldu (MSC) lecturer at Jimma University, for his guidance and valuable comments to prepare this research proposal.

I would like to extend my acknowledgement to sample respondents of this study for they provided their valuable responses for this study and my families and those who helped me during my study in the university in one another.

## Table of Contents

Declaration.....	iii
Certificate.....	iv
Abstract.....	v
Acknowledgement .....	vi
List Of Tables .....	ix
List Of Figures .....	x
List Of Ackronym And Abbreviation .....	xi
Chapter One .....	1
Introduction.....	1
1.1. Background Of The Study .....	1
1.2. Statement Of The Problem.....	3
1.3. Research Questions.....	5
1.4. Objectives Of The Study.....	5
1.4.1. General Objective .....	5
1.4.2. Specific Objectives .....	5
1.5. Significance Of The Study.....	5
1.6. Delimitation Of The Study.....	6
1.7. Organization Of The Study.....	6
1.8. Definitions Of Basic Terms .....	7
Chapter Two .....	8
Review Of Related Literature .....	8
2.1. Theoretical Literature Review .....	8
2.2. Empirical Literature Review .....	15
2.3. Conceptual Framework Of The Study .....	23
Chapter Three .....	24
Research Design And Methods.....	24
3.1. Description Of Study Area.....	25
3.2. Research Design.....	25
3.3. Target Population And Sampling Techniques .....	26
3.4. Sources And Methods Of Data Collection.....	28
3.5. Validity And Reliability Analysis Of The Survey Instrument.....	30
3.6. Methods Of Data Analysis And Presentation .....	31
3.7. Ethical Consideration.....	32
3.8. Definitions Of Variables .....	33
Chapter Four .....	34

Result And Discussion.....	34
4.1. Response Rate.....	34
4.2. The Analysis Of Descriptive Statistics Of The Determinants Of Investment Activities.....	35
4.3. Analysis On The Qualitative Data.....	47
4.4. The Inferential Analysis Result.....	48
Chapter Five.....	57
Summary, Conclusions And Recommendations.....	57
5.1. Summary.....	57
5.2. Conclusion.....	60
5.3. Recommendations.....	64
References.....	66
Appendices A.....	69



## LIST OF TABLES

Table 4.1: Background information's of respondents.....	34
Table.4.2: Analysis on the responses that obtained from sample respondents.....	36
Table.4.3: Analysis on the economic factors that determines investment activities ...	37
Table.4.3: Analysis on the <b>socio-cultural factors</b> that determines investment activities .....	38
Table.4.4: Analysis on the <i>political factors</i> that determines investment activities .....	40
Table.4.5: Analysis on <i>environmental factors</i> that determines investment activities .....	42
Table.4.6: Analysis on the <i>financial factors</i> that determines investment activities....	44
Table 4.7: the correlation analysis result .....	49
Table 4.8: Correlation Matrix for Multicollinearity test.....	51
Table.4.9: Model Summary .....	53
Table 4.10: Beta Coefficients of determination .....	54

## LIST OF FIGURES

Figure 2.1: Research framework of the study .....	24
Figure 4.1: The Regression model Linearity Assumption .....	50
Figure 4.2: the Regression model Normality Assumption test .....	51

## **LIST OF ACKRONYM AND ABBREVIATION**

ADB	African Development Bank
CSA	Central Statistical Authority
GDP	Gross Domestic Product
ILO	International Labor Organization
IMF	International Monetary Fund
ORS	Oromia Regional State
EIA	Ethiopian Investment Authority
EPA	Ethiopian Privatization Agency
FDI	Foreign Direct Investment
MSE	Micro and Small Enterprise
OECD	Organization for Economic Cooperation and Development
OIB	Oromia Investment Bureau
OLS	Ordinary List Square
SPSS	Statistical Package for Social Science
WIR	World Investment Rate
JTIO	Jimma Town Investment Office
JOTO	Jimma Town Trade Office

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Investment is a key variable necessary for economic growth and development of countries (IMF, 2019). Economic literatures show that investment is, both empirically and theoretically, the key determinant to economic growth. In line with this, economic growth refers to an increase in a country's production or income per capital (WIR, 2018). It is usually measured by gross national product gross national income, used interchangeably, an economy's total output of goods and services (ADB, 2019). In other words investment is the source of manufactured goods that can be used to produce other goods. According to Hashmi et al (2012), it is the major foundation of enhancement in the level of literacy, improvement in technology and increase in the capital stock.

In this regard, rate of investment is one of the key factors that differentiate developed countries from developing countries. This means, in high-growth countries investment is high, where as it is low in low growth countries. The implication of low investment is that the productive capacity of the economy fails to increase (ADB, 2019). This in turn leads to lower rates of growth and job creation, and fewer opportunities for the poor to improve their livelihoods (Olga, 2015 and IMF, 2019). In the same spirit, Bakare (2011) previously clarified that countries with high standards of living are those who have shifted the economic structure from traditional and less diversified to a more diversified one. According this scholar, capital formation, proper mobilization and allocation of resources and reduction unutilized resources to the productive sector of the economy is very crucial.

In this case, Bahar (2013) strongly claim that Economic growth and development depend essentially on a country's ability to invest and make efficient and productive use of its resources. However, according these scholars, the role of the private sector is important both in terms of its contribution to the quantity of Gross domestic investment and its ability to allocate and employ resources efficiently. The Organization for Economic Cooperation and Development (OECD, 2012) confirmed

that a strong investment sector (private or public) contributes prominently to the economy of a country through creating more employment opportunities, generating higher production volume, increasing export and introducing innovations, increasing employment opportunity (ILO, 2019). Briefly, one can deduce that there cannot be growth without investment of sufficient amount and quality.

As investment plays a great role in economic development, the government of Ethiopia has given emphasis concerning this activity. Its purpose was to develop the investment activity by giving major incentives for investors and promotion of investment opportunities both for domestic and foreign investor so as to increase the number of participants in this activity (FDI, 2011). In line with this, even though, Ethiopia is known with ancient civilization, historical culture, proud of tradition and on the top of all the land with immense potential for economic development of a country, however, this land of plenty is also suffering from poverty, lack of infrastructure, under development health center and fundamental ills of the economy system and reacts up on to keep the country under development (ADB, 2019).

According to Aman (2019) in the same way Jimma town has a great potential for investment activity in most sectors. The town has abundant natural and human resources. It has various location of best kept secret of tourism site such as Aba Jifar palace and Jimma museum. It has natural resource such as coffee, forest, minerals (Dhaga lencha) and diversified of climatic conditions, geographical area of the town (Wolege and Beda Buna) which can hold the interest of the investors. However, it has not been benefited from this opportunity .According to Jimma Town Administration Office (2019) a daily experience shown that, the residents live under poverty line and have been undergoing many development problems such as unemployment, low standard of living, poor infrastructure facilities, and absence of manufacturing industries in the town. In general growth requires investment of domestic and foreign, public and private calls for increased mobilization of investment activities.

This practical issue motivated the researcher to study the topic under consideration. Therefore the purpose of this study is to determine the determinants that affect investment activities in Jimma town.

## **1.2. Statement of the Problem**

Ethiopia is one of the least developed countries, which tries to increase investment activity for its economic growth. However, the country's benefit from investment is less as compared to other African countries(EIA, 2012).The report showed that project stagnation and delays of operations exist at all level of the investment activities. This reality shows that there are problems which should be investigated in order to encourage and promote investment activities at each investment status.

In line with this, a number of previous researchers studied various variables that determine the investment activities in Ethiopia. For examples, Ambachew (2010) revealed that currently process of investment in public sectors from preparation must pass through a long and cumbersome bureaucratic process. The researcher also concluded that there was a big gap between approved and operational projects and the completing project cycle was low. Acknowledging his effort, however the researcher said nothing about the determinants that affect private investment activities.

Other researchers claim that political instability and insecurity are the major factors those severely discourage private investment activities in Ethiopia (Bayai, 2013 and Moberg, 2015). Still scholars in the same field claim that, most of the related reviewed studies on investment activities in Ethiopia and other developing countries used variables at a macroeconomic level such as inflation, real interest rate, openness and real exchange rate (Gizachew, 2017).

Adugna (2013) have studied determinants of private investment in Ethiopia. The data were analyzed using descriptive and inferential statistics. However, the researcher didn't used primary data in his study. Ephrem and Andualem (2015) have done their studies in Wolayita Sodo town on the determinants of private investment implementation. For this purpose the researchers used only descriptive data analysis. These again signify that there was a need to gather data from both primary and secondary sources and required descriptive and econometric model, i.e. regression model to explore inferential relationships between variables to draw a convincing conclusion.

Coming to Oromia regional state, previous researchers tried to study on the topic using different variables as determinants of investment activities at City

administrations level. For instance, Tesfaye (2018) investigated the major determinants of investment activities in Nekemte town. For his study the researcher collected data from both primary and secondary data and employed a descriptive analysis. The researcher concluded that variables such as difficulties of finance, lack of credits, and low encouragement from the investment offices are the major determinants of investment activities in the study area.

In addition, Tigist and Mekonin (2018) studied determinants of the growth of private investment in Jimma city. The researchers collected quantitative data through self-administered questionnaire from 171 sample respondents through a systematic sampling technique and analyzed through inferential analysis. They reported from seventeen variables considered for analysis only nine variables, (i.e. education, marital status, age, personal saving, inflation, public investment, investment incentive, raw materials and land) were a statistically significant determinant of private investment of Jimma city. Their effort was acknowledged. However, these researchers reported the result of their study only based on quantitative data.

On the other hand, the existing theoretical literature strongly suggests that investment activity can be affected by multiple factors like economic, political, socio-cultural, environmental and financial factors (Ambaye et al. 2014; Mohammad, 2014 and Agu, 2015). However, no research has been conducted using these variables as determinants of investment activity in Jimma town. Therefore, due to lack of empirical research in the area, our knowledge was unclear whether or not these variables were hindered the investment activities in the study area.

Currently, the perception of investors about investment activities and the major determinants (factors) that affect investment activities in the Jimma town were not still well known. Previous study had not been conducted in Jimma town. This shown that, there was literature and knowledge gap. Therefore, this study was conducted to fill the Knowledge and literature gap.

All of the local researchers studied on factors that affect either public or private investment activities. This may imply that there was still a need to study the determinants of investment activities as a whole. So that, this study was conducted by taking some variables such as Economic, socio- cultural, political, environmental and

financial factors by employing both quantitative and qualitative data through mixed research design.

### **1.3. Research questions**

- What are the social, economic and political factors that determine the investment activities in Jimma town?
- What are the environmental factors that determine the investment activities in the town?
- What are the financial factors that determine the investment activities in the town?

### **1.4. Objectives of the Study**

#### **1.4.1. General objective**

The main objective of the study was to identify the major determinants that affect investment activities in the Jimma town.

#### **1.4.2. Specific objectives**

In order to achieve the general objective, the study had the following five specific objectives.

- ❖ To assess the economic related factors that determines the investment activities in Jimma town.
- ❖ To identify the sociocultural related factors that determines investment activities in Jimma town.
- ❖ To determine the political related determinants of investment activities in the town.
- ❖ To assess the environmental factors that determines the investment activities in the town.
- ❖ To identify the financial related factors that determines the investment activities in the town.

### **1.5. Significance of the Study**

This research paper may enrich the knowledge of the reader on the variables such as economic factors, socio cultural factors, environmental factors, political factors and



financial factors that affect investment activities in Jimma town. The findings of this study serve as an additional source of reference for future scholars. This paper also has the significance in initiating researchers to study the problem in depth, so that the researchers and readers understand the major determinants of investment activities in the study area. Therefore, this information becomes very supportive for Jimma town in planning process particularly in poverty reduction strategic plans for the Investment sector and public sectors in general.

### **1.6. Delimitation of the Study**

This study was geographically delimited to Jimma town. Regarding its content, the study was delimited to variables like economic factors, socio cultural factors, political factors, environmental factors and financial factors that affect the investment activities. Regarding its design, this study was used mixed research and follows a mixed research approach. In terms of study schedule the study will be delimited to be completed within (August, 2021) which is about eight months.

### **1.7. Organization of the Study**

This research paper was organized into five chapters. Chapter one provided a brief background to the study, discusses the research problem, basic research questions, research objectives, significant of the study, delimitation of the study, and organization of the Study. The second chapter devoted to review related theoretical literatures particularly the, basic issues on investment activities were discussed from theoretical literature, and previous empirical literature. Based on the evidences conclusion and the knowledge gap were clarified from previous studies. Eventually the chapter has been finalized by introducing the conceptual framework of the present study.

Chapter three outlined research design, the study area and population, sample size and sampling techniques, sources of data, instrument for data collection, validity and reliability analysis of survey instrument, data collection procedures, data analysis procedure, and ethical consideration.

Chapter four presented data analysis and interpretation. Chapter five presented summary of the major finding, in this chapter, the results of the previous studies were

compared and contrasted, and finally conclusions and recommendations were forwarded at the end of this chapter, reference and appendices will be attached.

## **1.8. Definitions of Basic terms**

**Investment activity** is investing activities in accounting refers to the purchase and sale of long-term assets and other business investments, within a specific reporting period. Investing activities are a crucial component of a company's cash flow statement, which reports the cash that's earned and spent over a certain period of time.

**Formal investment** was a private investment and asset management company with an excellent track record of investment and real estate development. We specialize in transforming tired city buildings into premium office space or quality apartments as well as the development of warehousing and distribution centers.

**Informal investment** is Informal investing which has been referred to using a multitude of different terms. Angel investor, venture capitalist, shark, and informal investor – these terms all refer to the same general concept. This type of investor works in the area of financing startups, or fledgling businesses that are still in the process of creation.

In many cases, a new business begins simply as an entrepreneurial vision. This vision is full of promise and great ideas but often empty when it comes to funding to power its fruition. Enter the informal, or angel investor.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter was organized in three major sections. The first section, deals with theoretical literature review. The second major section presents the empirical study which indicates that the conclusion and knowledge gap based on the previous review of related literature. Finally, the third section of the chapter introduces the conceptual framework of this study.

#### **2.1. Theoretical Literature review**

In this sub section the researcher tries to articulate ideas related to investment activities. For the purpose of this study, the researcher critically reviews the relevant theoretical literature of brief and the basic concepts directly related with investment and convenient theoretical model for the present study as follows.

##### **2.1.1. Basic Concepts in the study**

Early and recent scholars and academicians have defined the term of investment differently. According to Fisher investment is defined as spending today for future benefits and it's the component of national income that links with future (Fisher, 1994). For Mankiew, the term investment refers to a sum of funds committed on the physical and human cavity by both profit and no profit oriented individuals and institutions. It is applied to production of goods not meant for immediate consumption but further production of goods such goods are called, investment goods (Mankiew, 2002). These scholars agree that investment is conceptualized as spending a sum of funds today for future benefits for immediate consumption.

Among the recent ones, for instance, Adugna define investment as an expenditure of money for income or profit or to purchase something of intrinsic value. It is the sum invested or the property purchased the commitment of funds with a view to minimize risk and safeguarding capital for sustainable time while learning a return (Adugna, 2013). In line with this, Bayai and Nyangara (2013) noted that economists usually reserve the term investment for transactions that increase the amount of real aggregate wealth in the economy and sustainable growth for a country. This includes mainly the

purchase (or production) of new real durable assets such as factories and machines. Under the International Centre for Settlement of Investment Disputes Convention, investment encompasses any reasonable activity or asset that was any form of investment, which adds to the existing capital formation of a country and so has a positive effect on the gross output of a country.

On the other hand, Mohammad, argue that investment is the flow of capital which is used for productive purposes. According to him, there is a great emphasis on investment for being the primary instrument of economic growth and development for a country. Investment means an increase in capital spending and it helps in creating a robust economy. He adds, in economics, investment can be defined as the purchase of plant, equipment or inventory (Mohammad, 2014).

Furthermore, according to Mohammad (2014) once an individual receives income; there are two alternatives to spend or to save it. Regardless of how you use your income, investment can be defined as postponed consumption. Individuals may postpone their current consumption to accumulate for the sake of accumulating. For any or all of these reasons individuals save part of their income rather than spend all of their income.

The above analysis shows that investment has a strong relationship with saves income. But the extent of investment also depends on the level of consumption. This agrees with “there are no other road of economic development than a compulsory rise in the share of the nation’s income which is withheld from consumption”. In an economy where living standard of the masses is too low, to curb consumption, it is difficult to mobilize and allocate resource in to investment activity (Dornbusch and Fishers, 1994).

To sum up, the term investment has been viewed and defined by different ways. It has different meaning in finance and economics. In economics investment is related to saving and deferring consumption it involved in many areas of the economy, such as business management and finance whether for households, firms or government. In finance investment is putting money into something with the expectation of gain, usually over a longer term.

## **2.1.2. Theoretical model of Investment**

### **2.1.2.1. The Classical theory of Investment**

The classical school took for granted that capitalists make investment because they expect to earn profit in the future depend on a good deal on what profit are now. For example Adam Smith in his book "the wealth of nations" elaborate this fact, by arguing that investment were made because the capitalist expected to earn profit on them and future expectation with regard to profit depend up on the present climate of investments as well as the actual profit depend up on the present climate of investments as well as the actual profit (Hall & Jorgenson, 1969).

### **2.1.2.2. The Neoclassical theory of Investment**

According to Seruvatu and Jayaraman (2001) to formulate the neoclassical theory of business fixed investment in which net investment is proportional to the gap between actual and desired capital stock. This model combines the user cost of capital and the accelerator effect to explain investment behavior.

According to this theory, net investment is proportional the gap between actual and desired capital stock. This relationship given by:  $IT: K_t - K_{t-1} = \eta (K_t^* - K_{t-1})$ , Where  $IT$ : the net investment,  $K_t$ : the existing capital stock at the end of the current period,  $K_{t-1}$ : The capital stock at the end preceding period,  $K^*$  the desire level from of capital stock and,  $\eta$ : measures the fraction of the gap between the actual and the desired level of capital stock that is closed each period (Mankiw, 2003).

The basic notion behind this theory is that larger the gap between the existing capital stock, the more rapid a firm's rate of investment. So any factor that increases the desired capital stock such as an increase in expected output or a reduction in interest rate will increase the rate of investment. This theory is criticized on the grounds that it makes the following simplifying assumptions. The assumption of perfect competition and output is exogenously determined (Which are inconsistent with the business cycle) as well as expectations regarding price interest rate and output are static (which is invalid because economic agents have rational expectation about the future (Michael and Aikaeli, 2014).

### **2.1.2.3. Tobin's "Q" theory**

In the "Q" theory of investments associated with Tobin (1969), the ratio of market value of an existing capital stock to its replacement cost (the "Q" ratio) is the main force driving investment. Tobin argues that, delivery lags and increasing marginal cost of investment are the reason why Q would differ from unity.  $Q = \frac{M}{PCIC}$ , Where M = Market value of installed capital, PCIC = Replacement Cost of Installed Capital

Accordingly, the firm decides whether to invest or not depends on the values of Q. If the market value of capital is greater than its replacement cost i.e. when  $Q > 1$ , investors decide to invest and vice versa (Mankiw, 2003).

### **2.1.2.4. Accelerator theory of Investment**

Keynes' idea was never left unchallenged. Because in the 1950's and early 1960's other economists formulated a model that gave rise to the accelerator theory of investment. These theories assume investment to be proportional to the change in output. That is  $I = a(\Delta y)$  where I is investment and 'y' is output (Shafik, 1992).

In the model, a relatively modest increase in the rate of growth of demand for final goods can lead to a large increase in the demand for investment on the other hand; the actual decline in the demand for final goods produced is not a necessary precondition for a decline in investment. Investment can fall as a result of a decline in the rate of growth of the demand for final product (Serven and Solimano, 1991).

These assumptions do not predict with real economic activities as it does not take into account the role of expectation, profitability and capital cost which are a part and parcel of the investment activities. A number of criticisms have been leveled against the simple accelerator theory. In the flexible accelerator model, investments make up only a fraction (B) of the gap between the existing capital stock and the equilibrium desired capital stock. This can be formally stated as  $I_t = B(a)(Q_t - K_{t-1})$

According to this model, a disturbance in the final demand will have its largest effect during the current period and the effect will be diminished gradually. This argument served as the basis for the formulation of the flexible accelerator model of investment

which can be augmented to capture country's specific feature of investment behavior. Despite the drawback of accelerator principle, these theories as well as the flexible accelerator principle of investment are popular as evident in most of the empirical studies done to date. It is a constant capital stock to output ratio and assumption of availability of sufficient investment to keep desired capital stock to actual, In addition, disregards expectations, profitability and the cost of capital as determinants of investment (Serven and Solimano, 1991).

### **2.1.3. Trends of Investment Activities in Ethiopia**

It is uncontroversial that the performance of investment in Ethiopia has been at very low level in the post many years. For instance, the average gross domestic saving of the country during 2010-2018 was recorded about 7.3% in similar period the average gross investment rate was about 14.1%. And also the national saving rate and fixed capital formation as a percentage of gross domestic products was registered as 6.5% and 16.7% respectively (ADB, 2019). Three distinctive periods are identified for the study of investment and its determinants.

#### **2.1.3.1. The Imperial Era (Pre 1974)**

Immediately after the collapse of Italian occupation, the empirical government was occupied in setting the foundation for modern Ethiopia. The economic strategy of the country during the period was export trade development aiming to earn more freight currency to finance the import of more capital goods to accelerate the overall development process. As a result of this economic strategy the participation of the private sectors both the domestic and foreign investors grow up. In connection to that the private investment was highly recognized by the government policy makers as a supporting hand of the public development efforts. In realization of this situation, the agricultural and industrial expansion program of the 1954 and later on three-five years development pans starting from 1955 has been introduced. These policy measures, in effect, were able to attract both domestic and foreign investors to participate in various industrial and agricultural activity.

The Investment Decree No. 51 of 1963 (Imperial Government of Ethiopia, 1963) as cited in (Kedir, 2011) was issued at a time when infrastructure development (road

transport, air transport, banks, power generation, etc.) was taking place at a rapid pace. Private investment was singled out for attention and this led to the import substitution strategy which was adopted in the five-year development plans.

### **2.1.3.2. The Derg Era (1974-1991)**

Immediately after assuming power in 1974 the declared the national democratic revolution in which it started that the country presumes military government nationalized a large number of domestic and foreign production, distribution and service rendering private enterprise. Consequently, the government took over ownership and operation of over 100 private manufacturing enterprises, such act of nationalization significantly decreased the participation of private capital and specially the foreign investors to factor economic development of the country (Teklebrhan, 2014).

These restrictive policies of the regimes results in a very low rate of private sector development. The average rate of private investment to real GDP during the period 1974-1990 was 6.7%. This ratio is very low even by the standard of sub Saharan African countries where the average rate of private investment to GDP was 8% for the period 1975-1989. The import and export activities, the FDI, Joint venture business operation and other economic exposures to the international market were limited. The economic performance of the country has been declining for instance in the period 1975-79 a condition of economic stagnation and even in the same years an economic regression has been registered. The growth rate of real GDP was -6.3% and 9.7% in the years 1983/84 and 1984/85 respectively. They were exempted from income tax and custom duty and hand was given. In general, investment policy of the Derg regime was characterized by restrictions on private investment and biased towards the development of the public sectors (Ambachew, 2010).

### **2.1.3.3. Post 1991**

Post 1991 unlike previous regime, presently the government has recognized the need for increasing the participation of private sector. No doubt, the country's investment climate of the country has changed radically since the introduction of the market



economy policy back in 1991. The economic policy of the government indicates that investment by the state will be restricted to activities that have strategic roles in economic development or in areas where the private sectors could not adequately cover investment needs.

Accordingly, the economic policies of the transitional government encourage private capital participation. To rehabilitate and revitalize economic performance, the proclamation that encourages private sector was issued (Proclamation No 15/1992). It envisaged the spending up of the economic and social development of the country through increasing supply of goods and service, promoting domestic investment, particularly in the production sectors in order to insure linkage and suitable development there by promoting the benefit of both the countries and the investors.

The proclamation encourages the private sector to invest in all sectors except some areas which are exclusively reserved for government. It reserved areas like defense industries, large scale production and supply of electric energy postal and telecommunication service, large scale air and marine transport, and armament for government.

Moreover, areas like large scale engineering and metallic industries, capital intensive and technology intensive investment in large mining and energy production and industries which supply strategic raw material of chemical industries were allowed for investment by the government on its own or partnership with private investor the proclamation put no limitation on capital ceiling currently, government is up for-far-reading measures to accelerate the privatization exercise. And some efforts are geared toward this direction. The former Ethiopian privatization agency (EPA), merged with the previous public enterprise Supervising authority (PESA) in 2004 to form the privatization and public enterprises supervising agency (PPESA), a body saddled with the task of improving the efficiency of decision making in the privatization process. The autonomous body is also to assist state owned enterprises to become commercially viable before selling or leasing them to private investors, in 2007/2008 fiscal years, PPESA successfully transferred 15 enterprises to the private sectors in industry, 12 enterprises in agro-industry and 4 enterprises in services industry (Kedir, 2011).

Despite these positive effects, in the present government where a very good and attractive policy is formulated, though there is a very good and significant change in private investment, as compared to past times, there is still fluctuation overtime. And according to statistical report a considerable proportion of total approved investment projects fail to be implemented due to several reasons in which many of them are attributed to the negative effects of determinants of private investment (Ambachew, 2010).

## **2.2. Empirical Literature Review**

As the primary objective of this study is to assess the determinants of investment activities, for this study relevant and recent empirical studies were reviewed separately in the following paragraphs.

According to Ambaye et al (2014) study on the determinants of domestic private investment in Ethiopia identified that domestic credit given to the private sector reduces domestic private investment because the credit may be diverted to nonproductive activities due to this reason it have negative impact.

Study by Ambachew (2010) on constraints to entry, operation and expansion of private investment in Ethiopia using investor level information showed that bureaucratic procedures, a lack of infrastructure, power supply problems and access to finance were the leading constraints for operations. The other areas of the business environment (such as political/policy uncertainty and labor regulations) were relatively less important. The survey ultimately confirmed that the availability of finance rather than the interest rate is a crucial determinant of private investment in Ethiopia.

In support of above evidence, Ambaye, (2014) and Muhdun,( 2016) stated that funds to the private sector do not go to finance new investments because of poverty most people would borrow to finance other matters like education, healthcare and basic necessities. As a result private sector credit is negatively related to private investments.

A study conducted by Deneke (2011) on the impact of corruption on investment showed that corruption was among the most significant obstacle due to this reason,

the process of investment from preparation to implementation must pass through a long and cumbersome bureaucratic process both corruption & bureaucratic red tape have a negative impact.

A study by Baye et al., (2015) on the macro and microeconomic determinants of private investment both at national and regional levels in Ethiopia showed that at the micro level the probability of individual's to invest is significantly and positively influenced by the level of education, access to land and investment incentives.

According to Deneke, (2011) the influence of bureaucratic red tape was also found to be negative impact. Adugna (2013) undertook a study covering the period 2005-2012 using Ordinary Least Square (OLS) regression to model the determinants of private investment in Ethiopia. Findings from the study showed that public investments in basic infrastructures and social overheads are essential for private investment. In addition, the rising real per-capital income of the people has a crucial positive effect on private investment by way of increasing market demand for goods and service.

### **2.2.1. Empirical review literature on environmental factors**

According to Eurasia Journal (2017) many studies show that enterprise growth performance is affected by regional environments, which creates differences in the level of enterprise development in different regions. In China, India, and Brazil, such vast national and regional environmental differences and larger total country economies cause this situation to become more obvious. A similar situation also exists in other countries. Pozoa et al., (2012) considered that hotel service industry enterprise growth is a factor that depends largely on labor costs and labor quality in a study comparing the Canary Islands and Madrid, Spain.

According to Villaverde and Maza (2012) they determined that foreign direct investment in Spain's 17 autonomous regions reflecting the FDI regional flows differences were quite obvious, and it also led to the development of a Spanish enterprise imbalance. In addition, Aritaa et al., (2002) compared American and Japanese semiconductor manufacturers' spatial organization, concluding that regional environments for enterprise decision makers are an important guarantee for realizing benefit growth. Saxenian (1994) compared Silicon Valley and two hi-tech zones in

the 128<sup>th</sup> route and determined that environment is the main factor of success in Silicon Valley. Also Tang (2006) confirmed this phenomenon.

Numerous empirical studies have shown that regional resources, local government management efficiency, regional innovation, regional culture and other factors influence enterprise, and become the important factors influencing enterprise growth performance in different regions. However, in a specific country for a period of time, how can one determine the impact of different regional environmental factors on business growth or whether the degree of regional environment factors on different types of enterprise has a similar influence? Regional environment includes the survival of enterprise growth boundaries (Nelson and Winter, 1982). Its impact on enterprise growth is mainly reflected in two aspects: On the one hand, the regional environment provides the necessary resources for enterprise growth.

Resources needed for enterprise growth cannot be fully met by its own production, and therefore must be obtained from other organizations or external organizations, which will cause a resource dependency (Pfeffer and Salancik, 1978).

According to Helfat and Peteraf, (2003) availability of external resources can shape and constrain the choice of enterprise strategy and the development of companies; an adequate supply and competitiveness will be heavily dependent on the availability of external resources within a particular area of enterprise, a considerable part of the resources needed for growth come from the regional environment, and thus the regional environment is a source of resources required for enterprise growth. Regional differences are an important source of growth differences in different regions. On the other hand, regional environmental constraints can affect the enterprise's growth potential, growth path, growth process, and growth effect.

According to Moore, (1996) an enterprise is an organic member of the business ecosystem and should systematically consider its dynamic relationship with the external environment. Based on organizational ecology research, on the macro level, environmental disturbances affect the organization's (enterprise's) established rate and mortality rate; on the micro level, the enterprise belongs to the environment and, due to the different degree of organizational dependence, the organization's activities and structure is also different. Thus, context-specific regions have an important

influence on the new organization's (enterprise's) environmental choice for organizational evolution (enterprise growth), which plays a decisive role.

### **2.2.2. Natural resource & infrastructure environment**

Natural resources (including energy) and infrastructure levels are the basic guarantee of enterprise development (Wang, 2016). When a region is able to provide abundant and cheap natural resources; enterprise can use local materials, saving costs and time, which in turn improve enterprise performance. The more convenient regional transportation is, the smoother exchanges of information will be, which is better for investment activities engaged in innovative activities and favorable for regional innovation output. As a research conducted by Carlin et al.,( 2010) shown that the data gathered from 95 countries and more than 72,000 companies shown that improving infrastructure environments can improve output and productivity, thus promoting growth of investment activities and at the same time, investment activities growth and development must limit environmental carrying capacity.

### **2.2.3. Human resource environment**

Talent has become an increasingly important strategic resource. Regional human resource development has become one of the key factors of core competitive power for investment activities. Investment activities operations, the supply of human resource development and their external environment are closely related to skilled workers, technicians and managers' restrictions on the enterprise's management and development. Geographic distribution of universities, undergraduate and graduate students graduated each year and staff education have an impact on the amount of new enterprise, access to knowledge and human resource location for knowledge-based businesses (Baptista and Mendonca, 2010).

### **2.2.4. Science and technology environment**

Science and technology environments are collection of investment activities social environments in which technological factors and various factors are directly related. The innovation environment of science and technology can promote the introduction of external innovation resources, cooperative R & D and the introduction of scientific technological talents, which is conducive to creating new learning environments and promoting the improvement of technical investment activities capabilities

(ECOSOC,2013). Regional science and technology research institutions, science and technology funding, universities and other departments directly affect the amount of investment activities science and technology activity, activity frequency and development levels.

#### **2.2.5. Business environment**

Market is the balance of enterprise activity. In this public platform, goods and services can flow freely, which is critical for grow investment activities with. Market openness, specialization and market dynamics have a direct impact on investment activities growth (Liu, 2016). The acquisition of funds required for enterprise growth depends on the regional financing environment, and the regional entrepreneurial environment is the soil for new enterprises to develop and grow. Improving the financial service system can provide adequate funds for an enterprise, reduce costs and promote faster investment activities (Beck, 2003)

#### **2.2.6. Political environment**

The high quality of the operational efficiency and work style of the government can reduce transaction costs and improve operating efficiency. Government policy development and implementation can effectively support innovation activities. Government procurement can encourage enterprises to develop new products and new technologies. Empirical studies have shown that the effectiveness of legal institutions and corporate performance are related (Beck, 2006). Legal systems, by reducing business risks, affect investment activities performance. With the improvement of the legal system quality, the investment activities performance will increase (Laeyen, 2007).

#### **2.2.7. Social and cultural environment**

Regional social and cultural environment affect the company's management system, management efficiency, employment mechanism and corporate culture (Tang, 2006; Fan, 2007). It can also affect the success of employ investment activities yees desire, spirit of innovation, decision-making ability, market awareness and market development capability, ultimately affecting growth performance.

#### **2.2.8. Political factor**

There are also related studies that examine the impact of political instability on economic growth and investment. Alesina and Perotti (1996) found that an increase in the intensity of political instability decreases investment, hence slowing down economic growth. Political factors involve the decisions and laws that governments make. These include: tax. Laws, Political stability

The quality of political and governance institutions is part of the investment climate of a country. Because of the forward- looking nature of investment, entrepreneurs need a stable and secure environment to invest. "Good" political and governance institutions are viewed as reducing economic uncertainties and as promoting efficiency (See North, 1981). In this respect, and as reported by the World Bank (2004), better political and governance institutions improves the investment climate by enhancing bureaucratic performances and predictability. This also reduces the cost of doing business. Better governance contributes as well to the effective delivery of public goods that are necessary for productive business. Cross-country correlations using broad proxies for investment climate quality suggest a positive link between the investment climate and private investment decisions.

The growing literature on the importance of political and governance institutions for economic performance has, however, recently led to reconsideration of the role of economic policies in explaining cross-country economic achievements. Recent work on the role of both governance and economic policies has found that governance institutions are the dominant factor with little, if any, independent influence of policies. These results, however, are likely to stem from endogeneity and specification problems (Sachs, 2003). In fact, economic policies can also affect cross-country variations in political and governance quality. There is, in particular, some evidence that greater openness to trade and stronger competition were favorable to better governance. Given these conditions, economic policies may explain economic performances through their impact on political and governance institutions.

The economic literature provides a number of classifications of political and governance institutions (Kaufmann, Kraay and Mastruzzi, 2003 and the World Bank, 2004). Our choice of indicators has however been limited by the lack of annual data available for a large sample of countries over a relatively long period of time. This paper proposes to group the political and governance variables which are similar to

affect individual investors' decision into three categories: "Administrative Quality" (QA), "Public Accountability" (PA), and "Political Stability" (PS). Economic growth and political stability are deeply interconnected. On one hand, the uncertainty associated with an unstable political environment *may* reduce investment and the speed of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest. This study indicate the joint determination of the propensity of government changes our measure of political instability and economic growth

### **2.2.9. Financial factor**

In today's market, there was a wide selection of investment instruments that are of varied relative importance to a company. Investment as a source of income is one of the most important means of shaping the future well-being of an investor. However, profits were not automatically realized due to the existing risk. As a result, the biggest challenge for investors was related to the development and selection of an effective investment strategy. Investment strategy is a system of long-term investment goals of the company, which defines the set goals, the main directions of activity, the level of risk tolerance and assessment methods. Global financial markets pose new challenges for investors, which are being addressed through financial behavior. The theory of financial behavior contradicts traditional financial theories, which state that investors are rational and operate in markets that reflect the entire available situation (Kartašova, 2013).

The theory states that forecasting investment decisions cannot be based solely on rationality because there are cognitive (human ability to process information) and emotional (ability to evaluate the information gathered) factors that influence the decision-making process. There were many scientific researches examining financial behavior, highlighting the different factors and investment strategies used by individual investors and companies. As stated by Bhatnagar (2016) individual investors tend to take more risks than companies. According to Erel et al. (2017) shown that company's capital investment depends on existing liquidity. In addition, Vo et al. (2017) examine how a company's investment in capital affects customer satisfaction with goods and services.



A market of undertakings whose principal activity is not in the field of financial investment is poorly examined. Several studies have been conducted in Lithuania examining the investment behavior of companies: i.e., research performed by (Jurevičiene et al., 2013, 2014; Bikas and Kavaliauskas, 2010). They have been examined the behavior of non-professional investors operating in Lithuania when making investment decisions. Research has shown that the main focus in analyzing investment behavior and the application of investment strategy in the creation of investment portfolios was related to only higher-income companies.

Another important aspect was the factors that influence the company's investment behavior. In this position, it was important to mention that a large part of corporate financial behavior involves the influence of investors and managers. Park and Sohn (2013) assert that two important approaches exist in the market: irrational investors who influence rational company managers, and irrational manager's decisions, which affect the company's value. There was a lot of scientific works in literature that examines the impact of company employees (Bolton et al. 2018; Chief Financial Officer: Florackis and Sainani (2018) or Chief Executive Officer Mihaela and Ogrean (2014; Herciu and Ogrean (2014) on a company's investment policy, the impact of the country's economic situation on the company's investment (Ademmer and Janssen, 2018).

Market participants are confronted with certain financial or investment decisions which are becoming the main objects of financial behavior research. The literature states that modern corporate finance theory is in stark contrast to the efficient market hypothesis, which states that prices reflect all information available in the market and that investors are rational, profit-seeking and market information efficient, which encourages stock prices towards their "true" value (Bikas and Kavaliauskas 2010). There is no problem of information asymmetry in such perfect market. While making investment decisions, the financial structure and policy of companies are not important, and the rise of the company's key productivity and profitability indicators immediately increase investments. However, rejecting the assumptions of an efficient market, it is understood that the financial situation of a company is a very important criterion in making decisions. Various disagreements and distorting forces (such as information asymmetry and representation problems) can hinder the optimal investment process (Ding et al. 2018). It is indicated that individuals do not always act

fully rationally, and their decision-making was influenced by mood, beliefs, experience, and other psychological aspects (Shah 2013).

As stated by Park et al. (2017) corporate finance theory separates the roles of corporate executives and investors and seeks to explain their behavior through the choice of investment models or policies. There was also a strong focus on agency theory, which identifies conflicts of interest between managers and shareholders when the agent who controls the company's resources maintains his interests at the expense of the shareholder. The influx of free money and the capacity of unused debt influence a manager's choice to invest more, leading to increased distortions of investment. Fixed price theory indicates that expected future profitability increases the willingness to invest more in order to meet potential fluctuations in demand growth. Tradeoff theory, on the other hand, emphasizes that higher expected profitability in the future usually means smaller possibility for financial instability. As a result, such companies may receive more external funding for future investment projects.

In addition to these fundamentals, investor psychology in financial decision-making is important, considering the fact that executives often have a detailed view of their companies' operations, customers, suppliers, and industry dynamics. By developing and leveraging the networks of business leaders, politicians, academic community and the media, executives can gain a unique understanding of the terms in the industry in which their companies operate. These conditions are very important for strategic decision-making processes (Danso et al., 2019).

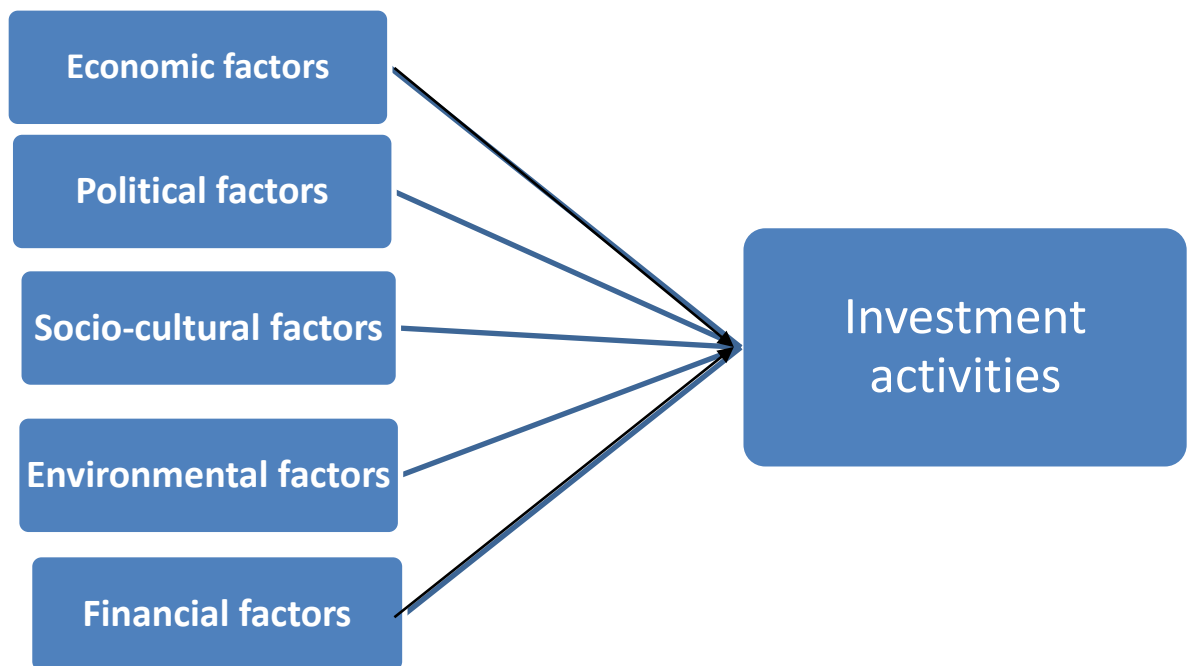
### **2.3. Conceptual framework of the study**

A concept is an idea or notion and conceptual framework is used to comprehend the place and clarify the direction of a research project. It makes usage of past research to conclude a theory and methodology for a current research study (Magher, 2018). What determine the level of investment activities were highly continuous and emphasized topics in economics. Investment spending were depend upon numerous factors among those: the Political, socio-economic, administrative and production factors of a country that affect the return, but such of favorable conditions is often lost for most developing countries in realizing this, there was a growing interest in the

countries on the factors that influence the pattern of investment activity and some factors identified. Based on the preceding discussion of the theoretical literature, Serve and Solimano (1991) and depend on the empirical studies the following conceptual framework of this study was constructed. The frame work of this study was visualized in figure 2.1 below.

**Independent variables**

**Dependent variable**



Source: developed for this research 2021.

**Figure 2.1: Research framework of the study**

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODS**

This chapter provides the research methodology used in order to achieve the research objective. According to Mugenda and Mugenda(2003) research methodology includes research design, target population and sample techniques, data collection procedures,

methods of data analysis and presentation. Finally the ethical consideration was described under this section chapter.

### **3.1. Description of Study area**

Jimma is one of the largest towns in Ethiopia located in the South western part of the country. Historically it was named in part during the reign of former Kingdome of Aba Jifar. The town was located 356 km South west from Addis Ababa at a latitude of 7°40'N 36°50'E/ 7.667°N and longitude of 36.833°E/ 7.667; 36.833. It also bordered by a number of Woredas that were found in Jimma Zone. To mention, through South direction by Dedo, South west by Seka chekorsa , West by Mana , North east by Kersa. The town is far away about 356kms from Addis Ababa, capital city of Ethiopia.

Even though Jimma town is geographically located far from capital city, Addis Ababa, due to its high commercial crop production (coffee) and other wood works as well as tourism (Aba Jifar palace), the town has access to potential investment activities in the regional as well as national level. Jimma town in composes 20 urban kebeles and according to (CSA, 2012) the total population of the town is about 2,774,486. Average family sizes for the town is 2.9 persons per household and an estimated population density of 188.5 people per square kilometer ( CSA,2015). The average annual rainfall of the town is 1900 mm with low variability. Its bimonthly distribution in which the small rain falls usually registered from March to April and the main rainy seasons are from June to October. Altitude in Jimma town ranges from 1250 to 2720 meters above sea level (masl).

### **3.2. Research Design**

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). To achieve the study objectives, the researcher employed a mixed research design. The strong reason behind this is that, a mixed research design is an advanced research that can enable researcher to address research questions that deal quantitative or qualitative data as well as to triangulate the result of the quantitative study by qualitative point of view of the participants (Creswell, 2012). A descriptive study is concerned with finding out the what, where and how of

a phenomenon or an event it exists (Cooper & Schindler, 2003). According to Suanders, et al.(2009) explanatory study is used to explain the relationship between variables and used to identify the causal links between the dependent and independent variables that pertains the research problem. Based on the proposed research design the study followed a mixed research approach through primary and secondary data sources.

### **3.3. Target population and Sampling Techniques**

#### **3.3.1. Target Population**

The target population is a well-defined set of people, events, groups of things, households that are being investigated (Ngachu, 2004). As defined by Mugenda and Mugenda (2003), target population as the researcher studies and whose findings are used to generalize to the entire population. According to the annual report of Jimma town investment office, the town has 306 investors who have been investing permanently in the town. Therefore the researcher considers 306 investors as the target population of the study.

#### **3.3.2. Sample size and Sampling techniques**

A sample design refers to the technique or the procedure of the researcher would adopt in selecting items for the sample.

##### **i. Sample size**

Sample size is the selected group of people that represent the entire population. To determine the sample size for the study, the researcher applied Taro Yemane (1967) the sample size determination formula  $\left(n = \frac{N}{1+N(e)^2}\right)$  at 95% confidence level. According to this formula, n represents the sample size of the participants and the upper case 'N' is the target population (the total number of the investors) in our case. Again in the formula, the small letter ( e ) denotes the level of precision. Now, if

the total number of the investors is N= 306, the sample size (n) of the participants for this study will be equal to:

$$n = \frac{N}{1+N(e)^2}, \text{ Where, } N = 306 \text{ and } e = 0.05 \Rightarrow n = \frac{306}{1+306(0.05)^2} \text{ By substitution}$$

=>n=173 by simplification.

Therefore,( n=173) were the sample size of participants of this study. In addition to this, the sample size of participants (Investors) from each type of investment activities such as Education, Health, Trade, Hotel and tourism as well as others were determined by simple proportional formula ( $\frac{Xn}{N}$ ). In this formula, 'X' represents number of investors in each investment types, as mentioned,' n' and 'N' denote sample size and population of the study respectively. The proportional distribution of sample size by investment type was clearly shown in (Table1) below.

Table 3.1: Proportional distribution of sample size by investment types

Name of investment	Population in each types (X)	Proportional formula Xn/N	Sample size of participants from each type
Education	35	P=Xn/N=35*173/306	20
Health	20	P=20*173/306	11
Trade	180	P=180*173/306	102
Hotel and tour.	50	P=50*173/306	28
Agriculture	15	P=15*173/306	9
Others	6	P=6*173/306	3
<b>Total</b>	<b>306</b>		<b>173</b>

Source: Own survey, 2021

On the other hand, the researcher selected as a sample 2 managers (1 head and 1 vice head) from Jimma town investment office.

## ii. Sampling techniques

After having the above sample survey, the next step is to define techniques of sampling or the way of that sample of respondents would be selected. To sample participants for this study the researcher employed both probability and non-probability sampling techniques. To sample investors from each investment category,

the researcher employed a simple random (lottery method) sampling technique. The strong reason behind this is that, probability sampling technique was free from personal bias (Cohen et al. 2006). In addition to this, the researcher purposefully selected 2 managers from Jima town investment office. Target population, Population size, Sample size and Sampling techniques of the study is displayed in (Table 2) below.

Table 3.2. Target population, Population size, Sample size and Sampling techniques

Population	Population size	Sample size	%	Sampling techniques
Investors	306	173	57%	Simple random sampling
Managers	2	2	100%	Purposive
Total	308	173	57%	

Source: Own survey, 2021

### **3.4. Sources and Methods of Data Collection**

#### **3.4.1. Sources of data**

For the research study, the sources of data were collected from both primary and secondary sources of data.

##### **3.4.1.1. Primary sources of data**

The primary data are those which are collected a fresh and for the first time and thus happen to be original in character (Kothari, 2004). In this study, a primary data sources were employed to obtain reliable information on various independent variables such as economic factors, socio cultural factors, political factors, environmental factors and financial factors were collected directly from participants through questionnaires distributed to individuals who engaged in investment activity in the town and managers of Jimma town investment office.

### **3.4.1.2. Secondary sources of data**

In addition to several related literatures, the secondary data source for this study were included documents such as, five years (2015-2020) strategic plan of investment activities and its annual performance reports, a two years (2019-2020) report on credit and saving service for investors from Jimma town investment office and Commercial Bank of Ethiopia, Oromia credit and saving share company (OCSSCO) and Jimma town Office of Trade were collected respectively. Therefore, these official plans, reports and documents were examined and used in the analysis of the study as the secondary data.(JTIO and JTTO,2013).

### **3.4.2. Data collection Instruments**

For this study, a survey data collection instrument, structured interview and observation check list was employed. The questioners were both closed and open ended items. Therefore, this instrument was used to collect data from 173 participants and interview with 2 managers and document analysis of four sampled public offices.

The study was contextualizing the instrument without altering its basic meaning. To this end, a survey questionnaire has a total of 31 items in five parts that deals (a) Economic (b) socio-cultural factors (c) political factors, (d) environmental factors and (e) financial factors.

To sum up, respondents were asked to respond closed and open items in either of the languages such as English. To this end, the enumerator assists the respondents during the data collection phase through translating items for participant as necessary. This was done through one to one correspondent with a great care such as keeping physical distance about six (6)feet as recommended by WHO and make sure that both the enumerator him/herself as well as the respondent wear face mask during this activity takes place. In addition to this the researcher himself hold interview with formerly selected participants in Afaan Oromo or Amharic.



### **3.4.3. Data collection Procedures**

In order to get a high return rate, the researcher assigned one enumerator for 12 kebeles

(HirmataMarkato, Hirmata, AwetuMandara, Ginjo, Bosakito, Sato, Bosaaddis, Horagibe, If abula, Kofe, Mandarakochi and BachoBore) in advance to act as the data collectors selected purposively. The researcher distributed the survey questionnaires for these colleagues a head just after `delivering a two days training on the survey instrument. The enumerator in each kebele encourages (facilitate) each participant to respond genuinely a survey items in either languages such as English, Afaan Oromo or Amharic. At the same time, besides conducting interview with purposefully sampled participants, the researcher observed essential documents using observation check-list, supervise, monitor and assist the enumerators.

### **3.5. Validity and Reliability analysis of the Survey Instrument**

As mentioned earlier, the survey instruments of this study were utilized in various researchers, this fact supports the possibility that the survey instrument is valid and reliable. However due to the contextualization of items and the application of the instrument itself in a new area through new participants, the researcher conducted a reliability and validity analyses (Cohen et al., 2007). To this end, before administering the questionnaire to the sampled participants, a pilot test conducted in neighboring Woreda, Kersa by randomly sampling 10 investors/traders.

A reliability test would be performed to check the consistency and accuracy of the measurement scales.

One of the methods to estimate the reliability of the scores on a test or measurements is Cornbach's coefficients alpha method. Hence, Cornbach's coefficients alpha refers to the extent to which there is interrelatedness among the responses to the multiple items comprising in the Likert scale. Hence, as explored by Field (2009), if Alpha Coefficients were above 0.70, consistency and suitability were considered high. Thus, as shown in table 3.3 below shown that, the reliability of the scores was evident by strong Cronbach's alpha coefficients for all variables that used as independent and dependent of the study. The Cronbach's alpha ranged from 0.808 to 0.839, indicating an acceptable range of reliability.

Table3.3: Reliability (Cronbach's Alpha) test of instrument

<b>Variables</b>	<b>N</b>	<b>Cronbach's Alpha</b>	<b>Number of items</b>	<b>Result</b>
Economic factors	173	.839	6	Accepted
Socio-cultural factors	173	.815	5	Accepted
Political factors	173	.808	6	Accepted
Environmental factors	173	.829	6	Accepted
Financial factors	173	.832	5	Accepted
<b>Average</b>		<b>0.82</b>		

*Source:* Own survey, 2021

### 3.6. Methods of Data analysis and Presentation

*The researcher used both descriptive and inferential statistics for analyzing the data. The data collected through questionnaires were coded, tabulated, and interpretations is made using descriptive statistics, like frequency, percentage, mean, standard deviation with the help of the Software Package for Social Science (SPSS) software version 23.00. Excel software was also used to transform the variables into a suitable format for analysis.*

Inferential statistics was used to identify the degree of correlation between the variables using Pearson Correlation (Kothari, 2004). In this analysis, Pearson correlation Coefficient (r) is used to see the relationship between the dependent and independent variables (successful implementation of project). According to Pallant(2010), correlation analysis is used to describe the strength and direction of the relationship between variables.

Multiple Regression Analysis, is a form of general linear modeling, is an appropriate statistical technique when examining the relationship between a single dependent (criterion) variable and several independent (predictor) variables. (Hair Jr. et al., 2007). Therefore, multiple linear regressions were also used for the inferential data analysis. The model was tested by, Linearity test, Normality test and Multi-collinearity test. ANOVA test was conducted to test the significance of the relationship between the independent and dependent variables by predicting the power of the model with that of an intercept only model (Faraway, 2002).

### 3.6.1. Model specification

Due to the nature of the dependent variable, Pearson correlation and linear regression was developed which allowed the establishment of a relationship between variable (the dependent variable) and independent variable (economic factors, socio-cultural factors, political factors, environmental factors and financial factors).

Table3.4: model specification

variable	Number of items	Symbol	Method of Measurement
Investment activities		IT	Likert Scale
Economic factors	6	EF	Likert Scale
Socio-cultural factors	5	SCF	Likert Scale
Political factors	6	PF	Likert Scale
Environmental factors	6	EF	Likert Scale
Financial factors	5	FF	Likert Scale P

**Source:** Own survey, 2021

The model below used to determine the quantitative association between the variables:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where, Y = Dependent variables (investment activities)

X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>, X<sub>4</sub>, X<sub>5</sub> = Independent variables (X<sub>1</sub>= economic factor, X<sub>2</sub>= socio cultural factors, X<sub>3</sub> = political factor, X<sub>4</sub>= environmental factors and X<sub>5</sub>= financial factors,  $\beta_0$  or  $\alpha$ = the constant,  $\beta_1$ - $\beta_5$  = are the beta coefficients and  $\varepsilon$  = representing the error term,

For open-ended questions, the study was used the content analysis to analyze the data. Finally, the analyzed data were presented in form of tables and figures for easy of interpretation and conclusion.

### 3.7. Ethical consideration

The study was obtained permission by summiting official letter of collaboration from Jimma university college of Business and Economics department of Economics to concerned body such as Jimma town investment office, Jimma town main brunch of

Commercial Bank Of Ethiopia, Oromia credit and saving share company (OCSSCO) and Jimma town Office of Trade and Industry to collect data from relevant sources.

In order to collect data successfully, the researcher created friendly climate with the participants. For instance, the researcher will show respect for each of the participants and will explain the purpose of the study briefly, the reason why they are selected, the amount of time that they will spend and their responsibilities to respond for the survey instrument genuinely.

### **3.8. Definitions of variables**

As mentioned earlier in the preceding sections of this paper, based on review of literatures, this study assessed the following five major variables (i.e. Economic factors, socio-cultural factors, political factors, environmental factors and financial factors).

**Economic factors:** This variable refers to the amount privately saved money, access to credit, interest rate on loan, and interest rate for saving, and current inflation rate.

**Socio-cultural factors:** in this study, Socio-cultural factors are defined as the norms that inhibited in the community.

**Political factors:** In the context of this study political factors refer to access of good governance, institutional service, and practice corruption.

**Environmental factors:** refers to the natural and infrastructural environment and science and technological environment.

**Financial factors:** refers to the source of fund and its utilization in the context of this study.

# CHAPTER FOUR

## RESULT AND DISCUSSION

Under this chapter the collected data had been analyzed in numbers and presented in tables and followed with text explanations. In the first part of the analysis the demographic information had been analyzed and followed in text explanations. In the second part of the analysis the responses that had been collected through close-ended questions were analyzed and followed with text explanations. In the last part of the analysis the qualitative data had been analyzed through the interview had been discussed in words.

### 4.1. Response rate

The sample size of this study was targeted 173 respondents. All 173 questionnaires that were distributed have been filled adequately by all respondents and returned. This represented 100% response rate. Therefore, the findings of the response rate was adequate for analysis and reporting the study result.

### 4.2. Background information of respondents

The respondents' personal information like sex, age, Educational level, Position, experiences and marital status were analyzed presented in the table below.

Table 1 Table 4.1.:Background information's of respondents

Variables		Frequency	%
Sex	M	150	86.70
	F	23	13.29
	Total	173	100
Age	18-30	53	30.63
	31-45	70	40.46
	46-60	50	28.90
	Total	173	100
Marital status	Married	133	76.87
	Unmarried	28	16.18
	Divorced	7	4.04
	Widows	5	2.89
	Total	173	100

Variables		Frequency	%
Educational level	Illiteracy	-	-
	Primary	55	31.79
	Secondary	53	30.63
	Diploma	41	23.69
	Degree	16	9.24
	Masters	8	4.62
	<b>Total</b>	<b>173</b>	<b>100</b>

**Sources: Own survey, 2021**

The findings described in the table 4.1 above sex, age, marital status and educational level had been presented. The finding indicated 150(86.70%) and 23(13.29%) of the respondents were male and female respectively. The age of the respondents were ranged between 18 and 60 years, 53(30.63%) of the respondent were aged between 18 and 30 years. 70(40.46 %) of the respondents aged between 31-45 and 50(28.90%) of the respondents aged between 46 and 60 years. This implies that majority of the respondents were male respondents, different age group of respondents had been involved as the respondents for this study. The responses obtained from these groups can be considered as the responses obtained from respondents those who have different life experiences.

## **4.2. The Analysis of descriptive statistics of the determinants of Investment activities**

### **4.2.1. Analysis on the responses of respondents**

The close-ended and open-ended questions were designed to collect the data from the respondents. The responses that were collected through close-ended questions were analyzed quantitatively in descriptive analysis by frequencies, percentages, mean and standard deviations. The inferential analysis was employed by linear regression analysis and Pearson correlation was used and the analyzed data were presented in tables followed with discussions. The analysis Pearson correlation was used to describe the strength and direction of the relationship between variables. The analysis linear regression was used to measure the significant relation between independent and dependent variables.

Table 2Table.4.2: Analysis on the responses that obtained from sample respondents

<b>Case Processing Summary</b>		<b>N</b>	<b>Marginal Percentage</b>
In which type of investment are you engaged currently?	Education	20	11.6
	Health	11	6.4
	Trade	102	58.3
	Hotel	29	16.6
	Agriculture	8	4.6
	Other	3	1.7
	<b>Total</b>	<b>173</b>	<b>100</b>

**Source own survey 2021**

The result indicated in the above table 4.2 shown that responses were collected on type of investment activities in which investors have engaged currently. The finding revealed that, 102(58.3%) of the respondents indicated as trade was one of an investment activities in which investors have engaged currently. 29(16.6%) of the responses of respondents indicated hotel was one of an investment activities in which investors have engaged currently. 20(11.6%) of the responses of respondents indicated as education was one of an investment activities in which investors have engaged currently, 11(6.4%) of the responses of respondents indicated as health was one of the investment activities in which investors have engaged currently, 8(4.6%) of the responses of respondents indicated as agriculture was one of an investment activities in which investors have engaged currently and 3(1.7%) of the responses of respondents indicated as there were other types of investment activities in which investors have engaged currently.

Table 3Table.4.3: Analysis on the economic factors that determines investment activities

<b>Items</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mea</b>	<b>Std.</b>
		<b>imu</b>	<b>imu</b>	<b>n</b>	<b>Devia</b>
		<b>m</b>	<b>m</b>		<b>tion</b>
Lack of sufficient capital determines the investment activities of investors.	173	1.0	4.00	1.479	.811
The speed of economic development determines the investment activities.	173	1.00	5.00	3.057	1.297
Economic growth of the area determines the investment activities of the investors.	173	1.00	5.00	3.312	.967
Poor economic performance may lead to the investment activities to collapse.	173	1.00	5.00	3.659	.996
The economic level of the investors determines the investment activities.	173	1.00	5.00	3.641	1.033
Local communities' economical level determines the investment activities.	173	1.00	5.00	3.705	1.110
<b>Average</b>				<b>3.142</b>	

**Source:** own survey 2021

The findings from the table 4.3 above shown that, the first item asked was to identify that lack of sufficient capital determines the investment activities of investors. The responses of the respondents showed that the mean score of 1.479 and standard deviation of .811 indicated that lack of sufficient capital determines the investment activities of investors.

The second item asked was to assess the speed of economic development determines the investment activities and the respondents showed that the mean score of 3.057 and standard deviation of 1.2971 indicated that the speed of economic development determines the investment activities. The third item asked was to investigate Economic growth of the area determines the investment activities of the investors. The findings were showed that the mean score of 3.312 and standard deviation of



.9679 indicated that Economic growth of the area determines the investment activities of the investors.

The fourth item asked to identify poor economic performance may lead to the investment activities to collapse. The result showed that the mean score of 3.659 and standard deviation of .9967 indicated that poor economic performance may lead to the investment activities to collapse. The fifth item asked that to assess the economic level of the investors determines the investment activities. The responses of the respondents showed that the mean score of 3.641 and standard deviation of 1.0336 indicated that the economic level of the investors determines the investment activities and the last item asked was to investigate local communities economical level determines the investment activities.. The responses of the respondents showed that the mean score of 3.705 and standard deviation of 1.1101. The researcher summarized the Analysis of the economic factors that determines investment activities with the Average mean of 3.142. This result shown that it indicated that the local communities' economical level determines the investment activities.

Economic factors and investment were deeply interconnected. On one hand, the uncertainty associated with an unstable economic growth of the investors reduced investment and the speed of economic development of the investors. On the other hand, poor economic performance leads to collapse of investment activities of the investors. This was supported by Erel et al. (2017 who revealed the economic factors that considered as determinants of the investment activities. Economic factors were not the only thing influencing investment activities, they also important for understanding the capacity, or the ability of the economy to develop on their own. An economic factor is a factor that can affect and influence an individuals' financial status (Kartašova, 2013).

Table 4Table.4.4: Analysis on the **socio-cultural factors** that determines investment activities

<b>Items</b>	<b>N</b>	<b>Minim um</b>	<b>Maxi mum</b>	<b>Mea n</b>	<b>Std. Dev.</b>
cultural practice of the community determines the investment activities.	173	1.00	5.00	3.46	.9912
Social norm of the community	173	1.00	5.00	2.75	1.364

---

determines the investment activities.						
The working culture of the local community determines the investment activities.	173	1.00	5.00	3.28	.937	
Corporate culture of the local community determines the investment activities.	173	1.00	5.00	3.67	.9283	
Business culture of the local community determines the investment activities.	173	1.00	5.00	3.33	1.047	
<b>Average mean</b>				<b>3.298</b>		

---

**Source: own survey, 2021**

The finding in the table 4.3 above indicated that, to ask and identify cultural practice of the community determines the investment activities. The responses of the respondents showed that the mean score of 3.462 and standard deviation of .9912 indicated that cultural practice of the community determines the investment activities.

The second item asked was to identify social norm of the community determines the investment activities. The responses of the respondents showed that the mean score of 2.751 and standard deviation of 1.3646 indicated that social norm of the community determines the investment activities.

The third item asked was to identify the working culture of the local community determines the investment activities. The responses of the respondents showed that the mean score of 3.283 and standard deviation of .9373 indicated that the working culture of the local community determines the investment activities.

The fourth item asked was to identify corporate culture of the local community determines the investment activities. The responses of the respondents showed that the mean score of 3.670 and standard deviation of .9283 indicated that corporate culture of the local community determines the investment activities and the last item asked was to identify business culture of the local community determines the investment activities. The responses of the respondents showed that the mean score of 3.335 and standard deviation of 1.0470. The researcher summarized the Analysis of the

socio-cultural factors that determines investment activities with the Average men of 3.298. This result shown that it indicated that business culture of the local community determines the investment activities

The result was supported by Tan (2006) and Fan, (2007) who revealed that social and cultural factor affect the investors investment system, management efficiency, employment mechanism and corporate culture. It can also affect the success of and employ investment activities yeas desire, spirit of innovation, decision-making ability, market awareness and market development capability, ultimately affecting growth performance.

Table 5Table.4.5: Analysis on the *political factors* that determines investment activities

<b>Items</b>	<b>N</b>	<b>Mini mum</b>	<b>Maxi mum</b>	<b>Mean</b>	<b>Std. Dev.</b>
Lack of good governance determines the investment activities of investors.	173	1.00	5.00	3.618	1.080
Bureaucratic procedure of the management system of the investment office determines the investment activities.	173	1.00	5.00	3.554	1.183
The practice of Corruption in the government office determines the activities.	173	1.00	5.00	3.023	1.067
Lack of better political and governance institutions determines the investment climate	173	1.00	5.00	3.369	1.057
The quality of political and governance institutions determines the investment activities.	173	1.00	5.00	3.271	.9711
Political instability determines growth investment activities.	173	1.00	5.00	3.462	.9912
<b>Average Mean</b>				<b>3.382</b>	

**Source: own survey, 2021**

The study determines the impact of political instability on economic growth of investment. The findings in the table 4.4 above ask and the result indicated that lack of good governance determines the investment activities of investors. The responses of the respondents showed that the mean score of 3.618 and standard deviation of .0805 indicated that lack of good governance determines the investment activities of investors. The second item asked to identify that bureaucratic procedure of the management system of the investment office determines the investment activities.. The responses of the respondents showed that the mean score of 3.554 and standard deviation of 1.1830 indicated that bureaucratic procedure of the management system of the investment office determines the investment activities.

The third item asked to identify that the practice of Corruption in the government office determines the activities. The responses of the respondents showed that the mean score of 3.023 and standard deviation of 1.0672 indicated that the practice of Corruption in the government office determines the activities. The fourth item asked was to identify that lack of better political and governance institutions determines the investment climate. The result showed that the mean score of 3.369 and standard deviation of 1.0574 indicated that lack of better political and governance institution determines the investment climate.

The fifth item asked to identify that the quality of political and governance institutions determines the investment activities. The responses of the respondents showed that the mean score of 3.271 and standard deviation of .9711 indicated that the quality of political and governance institutions determines the investment activities. The last item asked to identify that political instability determines growth investment activities. The responses of the respondents showed that the mean score of 3.462 and standard deviation of .9912. The researcher investigated in the Analysis of the *political factors* that determines investment activities with the Average men of 3.382. The results shown that it indicated that political instability determines growth investment activities.

The result was supported by Villaverde and Maza (2012) who found that an increase in the intensity of political instability decreases investment, hence slowing down

economic growth. Political factors involve the decisions and laws that governments make.

The quality of political and governance institutions is part of the investment climate of a country. Because of the forward- looking nature of investment, entrepreneurs need a stable and secure environment to invest. It also supported by Pozoa et al., (2012) who revealed that "Good" political and governance institutions are viewed as reducing economic uncertainties and as promoting efficiency. In this respect, and as reported by the World Bank (2004), better political and governance institutions improves the investment climate by enhancing bureaucratic performances and predictability. This also reduces the cost of doing business.

Empirical studies have shown that the effectiveness of legal institutions and corporate performance are related (Beck, 2006). Legal systems, by reducing business risks, affect investment performance. With the improvement of the legal system quality, the investment performance will increase (Laeyen, 2007).

Table 6Table.4.6: Analysis on *environmental factors* that determines investment activities

<b>Items</b>	<b>N</b>	<b>Mini mum</b>	<b>Maxi mum</b>	<b>Mean</b>	<b>Std. Dev.</b>
Natural resources (including energy) and infrastructure levels are the basic guarantee of investment development.	173	1.00	5.00	3.479	.9976
Regional human resource development has become one of the key determinants of investment activities.	173	1.00	5.00	3.277	1.197
Business environment of the investment area determines the investment activities.	173	1.00	5.00	3.479	1.043
Social & cultural environment of the investment area determines the investment activities.	173	1.00	5.00	3.566	1.167
Science & technology environment of the investment area determines the	173	1.00	5.00	3.560	1.152

---

investment activities.					
The geographical environment of the investment determines the investment activities.	173	1.00	5.00	3.369	1.057
<b>Average mean</b>				<b>3.455</b>	

---

Source: own survey, 2021

The findings of table 4.5 above indicated that to identify natural resources (including energy) and infrastructure levels are the basic guarantee of investment development. The responses of the respondents showed that the mean score of 3.479 and standard deviation of .9976 indicated that natural resources (including energy) and infrastructure levels are the basic guarantee of investment development. The second item asked to identify that regional human resource development has become one of the key determinants of investment activities. The responses of the respondents showed that the mean score of 3.277 and standard deviation of 1.1975 indicated that regional human resource development has become one of the key determinants of investment activities.

The third item asked to assess that business environment of the investment area determines the investment activities. The responses of the respondents were showed that the mean score of 3.479 and standard deviation of 1.0431 indicated that business environment of the investment area determines the investment activities. The fourth item asked was to investigate that social & cultural environment of the investment area determines the investment activities. The responses of the respondents showed that the mean score of 3.566 and standard deviation of 1.1676 indicated that social & cultural environment of the investment area determines the investment activities.

The fifth item asked was to identify that science & technology environment of the investment area determines the investment activities.. The responses of the respondents showed that the mean score of 3.560 and standard deviation of 1.1528 indicated that science & technology environment of the investment area determines the investment activities and the last item asked was to assess that the geographical environment of the investment determines the investment activities. The responses of the respondents showed that the mean score of 3.369 and standard deviation of 1.057

The researcher investigated in the Analysis of the *environmental factors* that determines

investment activities with the Average mean of 3.455. The results shown that it indicated that the geographical environment of the investment determines the investment activities.

The above result were agreed with Wang(2016) who revealed that natural resources (including energy) and infrastructure levels are the basic guarantee of investment development. When a region was able to provide abundant and cheap natural resources, enterprise can use local materials, saving costs and time, which in turn improve enterprise performance. Improving infrastructure environments can improve output and productivity, thus promoting growth of investment activities (Carlin et al., 2010). At the same time, investment activities growth and development must limit environmental carrying capacity.

Geographic distribution of universities, undergraduate and graduate students graduating each year and staff education have an impact on the amount of new enterprise, access to knowledge and human resource location for knowledge-based businesses (Baptista and Mendonca, 2010).

Market openness, specialization and market dynamics have a direct impact on investment activities growth (Liu, 2016). The acquisition of funds required for enterprise growth depends on the regional financing environment, and the regional entrepreneurial environment is the soil for new enterprises to develop and grow.

Conducting this current study was important to see how the environmental factors determine the investment activities in the setting area of this study. Therefore, six items were designed to identify the environmental factors that determined the investment activities. Data were collected based on the designed items. The collected data were analyzed and presented in the above table

Table 7Table.4.7: Analysis on the *financial factors* that determines investment activities

<b>Items</b>	<b>N</b>	<b>Mini mum</b>	<b>Max imu</b>	<b>Mean</b>	<b>Std. Dev.</b>
Unavailability of own fund determines the investment activities.	173	1.00	5.00	3.595	1.2287

The delivery of finance to non-productive activities determines the investment activities.	173	1.00	5.00	3.618	1.1175
The interest rate is a crucial determinant of investment activities.	173	1.00	5.00	3.606	1.1290
Inappropriate financial structure determines the investment activities.	173	1.00	5.00	3.543	1.0480
Global financial markets pose new challenges for investors investment activities.	173	1.00	5.00	3.705	1.13087
<b>Average</b>				<b>3.613</b>	

**Source:** own survey, 2021

There were many scientific researches examining financial behavior, highlighting the different factors and investment strategies used by individual investors and companies.

The findings indicated in the table 4.6 above, the researcher asked to identify that unavailability of own fund determines the investment activities. The responses of the respondents showed that the mean score of 3.595 and standard deviation of 1.2287 indicated that unavailability of own fund determines the investment activities. The second item asked to assess that the delivery of finance to non-productive activities determines the investment activities. The responses of the respondents showed that the mean score of 3.618 and standard deviation of 1.1175 indicated that the delivery of finance to non-productive activities determines the investment activities.

The third item asked to investigate that the interest rate is a crucial determinant of investment activities. The responses of the respondents showed that the mean score of 3.606 and standard deviation of 1.1290 indicated that the interest rate is a crucial determinant of investment activities. The fourth item asked was to assess that inappropriate the financial structure determines the investment activities. The responses of the respondents showed that the mean score of 3.543 and standard deviation of 1.0480 indicated that inappropriate the financial structure determines



the investment activities and the last item asked was to identify global financial markets pose new challenges for investors investment activities. The responses of the respondents showed that the mean score of 3.705 and standard deviation of 1.1308. The researcher investigated in the Analysis of the *financial factors* that determines investment activities with the Average men of 3.613. The results shown that it indicated that global financial markets pose new challenges for investor's investment activities.

This result was agreed with Bhatnagar (2016) who stated that individual investors tend to take more risks than companies. It also agreed with Erel et al. (2017) who shown company's capital investment depends on existing liquidity. Vo et al., (2017) examine how a company's investment in capital affects customer satisfaction with goods and services. Another important aspect is the factors that influence the company's investment behavior. In this position, it was important to mention that a large part of corporate financial behavior involves the influence of investors and managers (Bolton et al. 2018).

Global financial markets pose new challenges for investors, which are being addressed through financial behavior. The theory of financial behavior contradicts traditional financial theories, which state that investors are rational and operate in markets that reflect the entire available situation (Kartašova 2013).

A study by Waweru et al., (2008) who concluded that financial status greatly influences the behaviors of investors when making an investment. Therefore, the financial status of the individual generates influence on whether the investor invests their money, and affects the amounts that they invest in the shares. Tan et al. (2008) also investigated investment behaviors and found that the financial status of the individuals provides key influence and impacts the investors' behaviors in unit trust investments. They also stated that financial statuses of the investors are likely to affect their investment amounts, as well as determine the level of risks that they are willing to take. Investors from low financial status tend to bear less risk, and a unit trust is their preferred investment instrument compared to investors from better financial status that were willing to take greater risks to invest in risky instruments that generate higher returns.

The financial status of the individual is the most important aspect in influencing one's behavior to invest. It is important to understand that the financial status of the individual indicates the amount of savings that investors have, as well as their fixed income, such as wages that investors have on a monthly basis, as these financial resources are the most fundamental in supporting their investments (Tsauroi, 2015). Individuals with good financial standing are more likely to show positive behaviors to invest their money in stock investments, and they also tend to invest in large amounts of money.

### **4.3. Analysis on the qualitative data**

#### **4.3.1. Analysis on responses obtained through interview**

For the interview part: Two managers were selected from the trade and investment office to give their responses on the investment activities of the Jimma town. Four structured interview questions were designed to collect qualitative responses. The interview questions were focused on: the role of the office in investment activity; major investment activities in Jimma town; the major factors that contributed to low level of investment in Jimma town and suggestions encourage potential investors that activate the level of investment activity in the study area.

Similarly, the result of interviewer responds on the major factors that contributed to low level of investment in Jimma town and suggestions encourage potential investors that activate the level of investment activity in this town were lack of good governance, economic factors, political factors like lack of good governance, lack of social stability, lack of participation, environmental factors like pollution and waste disposal and degradations were major problems that the investors faced during their engagement in the investment activities.

The responses that given to the suggestion for the improvement of investment activities in the Jimma town should make the town: areas of stable economic and political environment, offer good governance, adjust fast and sustainable economic development, democratic decision making, promote market access and consider weather conditions to enhance the investment activities.

#### **4.3.2. Analysis on responses obtained through observation**

The observation was conducted by the researcher focused on the guide lines that developed by the researcher, the guide lines that were designed for the observation were focused on the investment activities that the investors were operating or engaged in, Problems of the investor's faced and Support or incentives given from government.

The result the observation indicated that trade; education, hotel, health and agriculture were the investment activities in which the investors were engaged in the study area. The major problems that investors faced in their investment activities were political problem, lack of production materials, administrative problem and social problem in the side of having lack of awareness about the investment in the study area.

#### **4.3.3. Analysis on responses obtained through document analysis**

The result of the document analysis indicate the types of investment in which the investors have engaged, the gender of the investors and the types of ownership as well as the place investment in indicating the kebeles. According to the document analysis trade was the type of investments in which most of the investors have been engaged in the ownership was sole proprietorship, the next highest ownership was PLC and the least ownership was SME (*IMX*). The document review also indicated that, the rate of increase in the investment capital and the rate participation of the investors was not increased as required.

### **4.4. The inferential analysis result**

#### **4.4.1. Correlation analysis result of Investment activities**

This section includes the analysis of data related to the determinant components of investment activities and investment. To investigate the relationship between investment determinant factors and investment, Pearson product correlation coefficient was used. The Pearson product moment correlation coefficient is a statistic that indicates the degree to which two variables are related to one another. The sign of

correlation coefficient (+ or -) indicates the direction of the relationship between -1 and +1.

Variables may be positively or negatively correlated. A positive correlation indicates a direct and positive relationship between two variables. A negative correlation, on the other hand, indicates an inverse, negative relationship between two variables (Leary, 2004). Measuring the strength and the direction of a linear relationship that occurred between variables is, therefore, important for further statistical significance.

This hypothesis was tested using Pearson Correlation Coefficient at  $p \leq 0.05$  significance level. Table 4.7 below on interpretation of the strength of the correlation coefficient is based on Amin`s (2005) approach. This approach emphasizes that at 0 there was no relationship, above 0 to .2 it is a very weak relationship, above .2 to .4 it is a weak relationship, above .4 to .6 it is a moderate relationship, above .6 to .8 it is a strong relationship, and above .8 to 1 it is a very strong relationship. Similarly, the negative values imply negative relationship as enumerated above.

Table 8 Table 4.7: the correlation analysis result

		Correlations <sup>b</sup>						
		EF	SCF	PF	EF	FF	IT	
Economic Factor	Pearson Correlation		1	.528**	.536**	.364**	.381**	.687**
social cultural factor	Pearson Correlation	.528**	1	.623**	.409**	.488**		.765**
Political factor	Pearson Correlation	.536**	.623**	1	.487**	.393**		.771**
Environmental factor	Pearson Correlation	.364**	.409**	.487**	1	.805**		.822**
Financial factor	Pearson Correlation	.381**	.488**	.393**	.805**	1		.820**
Investment activities	Pearson Correlation	.687**	.765**	.771**	.822**	.820**		1

**Source:** own survey, 2021

\*\* . Correlation is significant at the 0.01 level (1-tailed).

b. List wise N=173

The findings in the table 4.7 shown that, all independent variables were positively correlated to each other. Environmental and finical factors have a very strong positive correlation with investment activities ( $r = 0.822$ ,  $p < 0.05$ ) and ( $r=820$ ,  $p < 0.05$ ) followed by the correlation between political factors and investment activities ( $r = .771$ ,  $p\text{-value} < 0.05$ ), the correlation between Social-cultural factors have positive

correlation with investment activities ( $r = 0.765$ ,  $p < 0.05$ ). The correlation between economic factors and investment activities have strong correlation at ( $r = 0.687$ ,  $p < 0.05$ ). Generally, there was a positive and significant relationship between all the five independent and dependent variable.

#### 4.4.2. Model Test

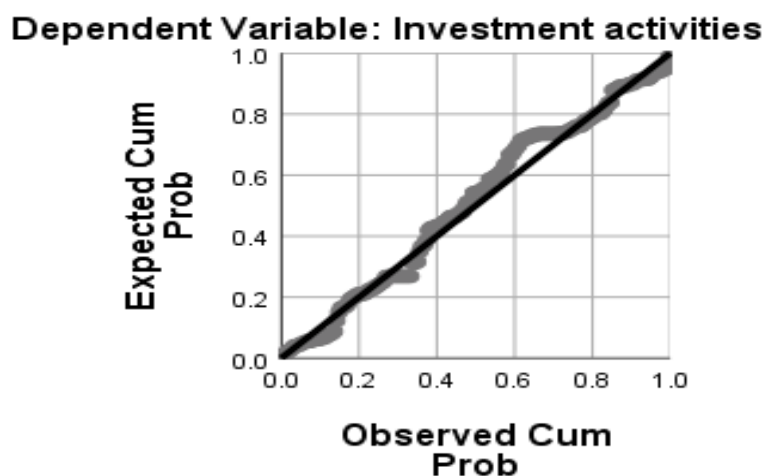
Before applying regression analysis, to test the effect of the independent variables on dependent variables (investment activities) some tests has been conducted in order to ensure the appropriateness of data to assumptions regression analysis as follows. The assumption concerned in the research includes linearity, normality and multicollinearity. The results have been discussed in the following subtopics.

##### Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables.

The relationship between the dependent variable (Investment activities) and each explanatory variable; Economic factors, socio-cultural factors, political factors, Environmental factors and financial factors) were not matching perfectly, but fairly similar or relatively linear; normal p-plots of the regression residuals through SPSS software were used. This suggests that residuals were approximately normally distributed. In this study the assumption was not disturbed. Therefore, the linearity assumption was satisfied. Because the residual p-plot was follow relatively at straight line. The result was shown in the figure 4.1 below.

##### Normal P-P Plot of Regression Standardized Residual

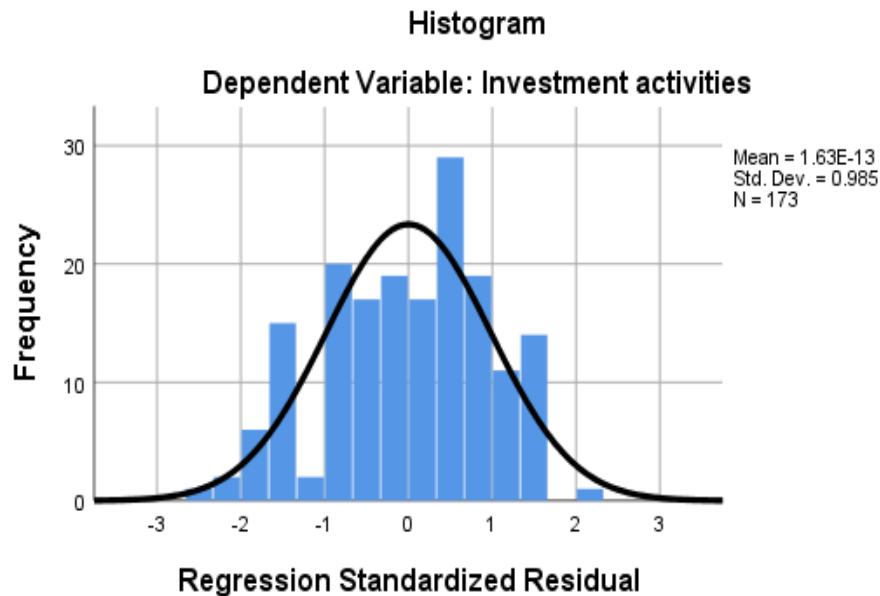


Source: own survey, 2021

Figure 4.1: The Regression model Linearity Assumption

### Normality Test (assumption)

Normality tests were used to determine whether a data set is well-modeled by a normal distribution or not, or to compute how likely an underlying random variable is to be normally distributed (Gujarati, 2009). Researcher has been used the histogram plot testing to check the normality of the data. The result was indicated in the figure 4.2 below.



Source: own survey, 2021

Figure 4.2: the Regression model Normality Assumption test

The shape of histogram from the figure 4.2 above has bell shaped which lead to infer that the residual (disturbance or errors) were relatively or normally distributed and regression standardized residual plotted between -3.3 and 3.3 with the mean of 1.63 and Standard deviation 0.985. This indicated that the variables were relatively normal distribution for each value of the independent variables.

### Multicollinearity test

The simplest way to as certain whether or not the explanatory variables were highly correlated with each other: check and examine the correlation matrix. The result was shown in the table 4.8 below.

Table 9Table 4.8: Correlation Matrix for Multicollinearity test

Model	Correlations			Collinearity Statistics	
	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)					
Economic Factor	.687	.963	.167	.640	1.563
social cultural factor	.765	.962	.165	.497	2.011
Political factor	.771	.967	.179	.485	2.060
Environmental factor	.822	.960	.161	.308	3.243
Financial factor	.820	.960	.162	.308	3.248

**Source:** own survey, 2021

From result of the (table 4.8) above, the tolerance value is  $T > 0.308$  and  $VIF < 3.248$  and the result from the (table 4.7) of correlation matrix shown that the highest correlation result between independent variables is  $r = 0.805$ . This indicates that the problem of multicollinearity did not exist between explanatory variables in the model. Therefore, the researcher concluded that there is no problem of multicollinearity. The SPSS survival manual step-by-step guide for data analysis pallant (2010) as a rule of thumb, inter-correlations among independent variables above ( $r > 0.9$ ), Tolerance value ( $T < 0.1$ ) and variance inflation factor ( $VIF > 10$ ) indicator that causes a possible problem of collinearity. Therefore, from an examination of the information presented in all the three tests above, the researcher has concluded that there is no significant data problems has been happened that lead to say the assumptions of multiple regressions have been violated /disrupted.

#### 4.4.3. Regression Analysis result

Linear regression analysis was then conducted to find out the independent effects of each subscale of school climate on student achievement. These analyses assisted the researcher in examining the inter correlations of the five dimensions of investment factors being utilized in this study, as well as the relationship of each to student examination achievement. Regression technique gave a more detailed analysis as it enabled the examination of the influence of each of the independent variables on dependent variables, controlling for all other factors. It also allowed the researcher to determine the combined effect of the variables (Gay, Mills, and Airasian, 2006). Linear regression analysis is a well-known statistical technique which fits a relationship between one dependent and more than one independent variable. Pearson

correlation and the regression coefficient summary were used to explain the nature of the relationship between the dependent and independent variables. The significance levels of the regression results were also taken into account for proper interpretations.

**i. Model Summary**

The model summary of the regression analysis was shown in the table 4.9 below.

Table 4.9: the Model summary of Regression analysis  
Table 10Table.4.9: Model Summary

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999 <sup>a</sup>	.998	.998	.0266

**Source:** own survey, 2021

a. Predictors: (Constant), Financial factor, Economic Factor, Political factor, social cultural factor, Environmental factor

b. Dependent Variable: Investment activities

Regression results in table 4.9 indicate that the goodness of fit for the regression between the dependent variable (investment activities) and independent variable has good fit. The coefficient of regression model summary (R) of  $r=0.999$  indicated that the combined effect of the five independent variables have strong and positive correlation with dependent variable (Investment activities).

R Square is used to find out how well the independent Variables are able to predict the dependent variable. The findings of regression model summary R square ( $R^2$ ) of 0.998 implied that the variation in independent variable (Financial factor, Economic Factor, Political factor, social cultural factor, Environmental factor) accounted for by 99.8% to investment activities. Therefore, the finding has shown that all independent variables contribute positively to the Investment activities in Jimma Town. The adjusted R Square takes into account to give more accurate information about the fitness of the model.

**ii. Coefficients of Determination**

The study applied the beta coefficient table below to determine the study model. The result of the findings is presented in the table 4.10 below



Table 11 Table 4.10: Beta Coefficients of determination

		<b>Coefficients<sup>a</sup></b>				
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.009	.014		-.664	.507
	Economic Factor	.200	.004	.208	45.883	.000
	socio cultural factor	.208	.005	.234	45.483	.000
	Political factor	.200	.004	.257	49.400	.000
	Environmental factor	.204	.005	.290	44.371	.000
	Financial factor	.192	.004	.291	44.548	.000

**Source:** own survey, 2021

The unstandardized coefficients in table 4.10 can be substituted into the study model to enable prediction of the value of investment activities from the values of the multiple independent variables.

The beta value that was obtained in the above table was used to explain the regression equation. The SPSS generated output as presented in table above, the regression model equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$ ). It becomes:

$$Y = -0.009 + 0.200 + 0.208X_2 + 0.200X_3 + 0.204X_4 + 0.192X_5 + \varepsilon$$

Where, Y = Dependent variables (investment activities)

$X_1, X_2, X_3, X_4, X_5$  = Independent variables ( $X_1$ = economic factor,  $X_2$ = socio cultural factors,  $X_3$  = political factor,  $X_4$ = environmental factors and  $X_5$ = financial factors,  $\beta_0$  or  $\alpha$ = the constant,  $\beta_1$ - $\beta_5$  = are the beta coefficients and  $\varepsilon$  = representing the error term.

From the regression result in table 4.10 above indicated that taking all factors into account; (Financial factor, Economic Factor, Political factor, social cultural factor, and Environmental factor) held constant at zero; investment activities should be -0.009.

The study findings also shown that unstandardized beta value of the relationship contribution of socio cultural and Environmental factor had strongly contribution to explain the investment activities in Jimma town at ( $\beta = 0.208$ ,  $\beta = 0.204$  and  $p = 0.000$  at  $p < 0.05$ ) respectively. This implies that an improved socio cultural and

Environmental factors effectiveness by 1 percent, the investment activities were improved or increased by 20.8% and 20.4%) respectively keeping other factors constant. The result was supported by Tan (2006) and Fan, (2007) who revealed that social and cultural factor affect the investors investment system, management efficiency, employment mechanism and corporate culture. This finding shown that, the effectiveness of socio-cultural and environmental factor has a significant effect to enhance investment activities in the study area.

On other hand, the finding shown to unstandardized beta value; the contribution of both political factor and economic factors with ( $\beta = 0.200$  with  $p = 0.000$ ) indicated that a 1% increase in effectiveness of political and economic factors increases the investment activities by 20.0 % in the study area. The result was supported by the World Bank (2004), who revealed better political and governance institutions improves the investment climate by enhancing bureaucratic performances and predictability. This also reduces the cost of doing business. Empirical studies have shown that the effectiveness of legal institutions and corporate performance are related (Beck, 2006). Legal systems, by reducing business risks, affect investment performance. With the improvement of the legal system quality, the investment performance will increase (Laeyen, 2007).

In addition, the contribution of 1% increase in effectiveness of financial factors it enhances the investment activities by 19.2 % in the study area. The result was agreed with Tan et al. (2008) who investigated investment behaviors and found that the financial status of the individuals provides key influence and impacts the investors' behaviors in unit trust investments. They also stated that financial statuses of the investors were likely to affect their investment amounts, as well as determine the level of risks that they are willing to take. Investors from low financial status tend to bear less risk, and a unit trust is their preferred investment instrument compared to investors from better financial status that were willing to take greater risks to invest in risky instruments that generate higher returns.

Generally, the five independent variables (Financial factor, Economic Factor, Political factor, social cultural factor, and Environmental factor) were significant contribution on investment activities in the study area.



# CHAPTER FIVE

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summary of findings, the conclusions, recommendations and suggestions by the researcher on the study.

### 5.1. Summary

The respondents of this study were 173 respondents that were selected through simple random sampling technique as the sample respondents of this study and provided their responses for this study. Close-ended questions were designed as the method of data collection for this study. The collected data were analysed in to descriptive and inferential statistics quantitatively. In descriptive statistics, frequency, percentage, mean and standard deviation were used and the analysed data were presented through tables and graphs. Based on the analyzed data, the major findings of the study were identified and presented as follows. The response rate of the study indicated that 173 questionnaires that were distributed have been filled adequately by all respondents and returned. This represented 100% response rate. The findings indicated that the respondents background information: sex, age, marital status and educational level had been presented.

The finding indicated that 150(86.70%) and 23(13.29%) of the respondents were male and female respectively. The age of the respondents were ranged between 18 and 60 years, 53(30.63%) of the respondent were aged between 18 and 30 years. 70(40.46 %) of the respondents aged between 31-45 and 50(28.90%) of the respondents aged between 46 and 60 years. This implies that majority of the respondents were male respondents, different age group of respondents had been involved as the respondents for this study. Majority of the educational level of the respondent were primary 55(31.79%) and secondary level 53(30.63%) and the rest respondent have above diploma holders were 65(37.6%). The responses obtained from these groups can be considered as the responses obtained from respondents those who have different life experiences. Based upon the objective of the study the following findings were summarized.

The first objective of the study was to assess the economic related factors that determine the investment activities in Jimma town. The result of this study indicated that economic factors like, speed of economic development, economic growth of the area, Poor economic performance, economic level of the investors an local communities economical level were factors that determined the investment activities of the investors. The researcher summarized the Analysis of the economic factors that determines investment activities with the Average men of 3.142. This result shown that it indicated that the local communities' economical level determines the investment activities. The second objective the study was to identify the sociocultural related factors that determine investment activities in Jimma town. The result of this study showed that cultural practice of the community, social norm of the community, working culture of the local community, corporate culture of the local community and business culture of the local community were factors that determined the investment activities of the investors. The researcher summarized the Analysis of the socio-cultural factors that determines investment activities with the Average men of 3.298. This result shown that it indicated that business culture of the local community determines the investment activities The third objective the study was to determine the political related determinants of investment activities in the town. The result of this study showed that lack of good governance bureaucratic procedure of the management system of the investment office, practice of Corruption in the government office, lack of better political and governance institutions, quality of political and governance institutions and political instability determines growth investment activities were factors that determined the investment activities of the investors. . The researcher investigated in the Analysis of the *political factors* that determines investment activities with the Average men of 3.382.The results shown that it indicated that political instability determines growth investment activities. The fourth objective the study was to assess the environmental factors that determine the investment activities in the town. The result of this study revealed that Environmental factors like, natural resources (including energy) and infrastructure levels, regional human resource development, business environment of the investment area, social & cultural environment of the investment area, science & technology environment of the investment area and geographical environment of the investment were factors that determined the investment activities of the investors. The researcher investigated in the Analysis of the *environmental factors* that determines investment activities with

the Average men of 3.455. The results shown that it indicated that the geographical environment of the investment determines the investment activities.

The last objective the study was to identify the financial related factors that determine the investment activities in the town. The result of this study indicated that Financial factors like, unavailability of own fund, delivery of finance to non-productive activities, interest rate, inappropriate the financial structure and global financial markets pose new challenges for investors investment activities. The researcher investigated in the Analysis of the *financial factors* that determines investment activities with the Average men of 3.613. The results shown that it indicated that global financial markets pose new challenges for investor's investment activities.

Generally, the researcher was summarized which conducted on the type of investment activities in which investors have engaged currently. The finding revealed that, 102(58.3%) of the respondents indicated as trade was one of an investment activities in which investors have engaged currently. 29(16.6%) of the responses of respondents indicated hotel was one of an investment activities in which investors have engaged currently. 20(11.6%) of the responses of respondents indicated as education was one of an investment activities in which investors have engaged currently, 11(6.4%) of the responses of respondents indicated as health was one of the investment activities in which investors have engaged currently, 8(4.6%) of the responses of respondents indicated as agriculture was one of an investment activities in which investors have engaged currently and 3(1.7%) of the responses of respondents indicated as there were other types of investment activities in which investors have engaged currently.

## 5,2 CONCLUSION

Investment is one of the key elements in economic growth and hence improving living standards of nations. Therefore, based upon the above finding the following conclusions were provided. . The responses of the respondents showed that the mean score of 1.479 and standard deviation of .811 indicated that lack of sufficient capital determines the investment activities of investors. The second item asked was to assess the speed of economic development determines the investment activities and the respondents showed that the mean score of 3.057 and standard deviation of 1.2971 indicated that the speed of economic development determines the investment activities. The third item asked was to investigate Economic growth of the area determines the investment activities of the investors. The findings were showed that the mean score of 3.312 and standard deviation of .9679 indicated that Economic growth of the area determines the investment activities of the investors. The fourth item asked to identify poor economic performance may lead to the investment activities to collapse. The result showed that the mean score of 3.659 and standard deviation of .9967 indicated that poor economic performance may lead to the investment activities to collapse. The fifth item asked that to assess the economic level of the investors determines the investment activities. The responses of the respondents showed that the mean score of 3.641 and standard deviation of 1.0336 indicated that the economic level of the investors determines the investment activities and the last item asked was to investigate local communities economical level determines the investment activities.. The responses of the respondents showed that the mean score of 3.705 and standard deviation of 1.1101. The researcher summarized the Analysis of the economic factors that determines investment activities with the Average mean of 3.142. This result shown that it indicated that the local communities' economical level determines the investment activities. Economic

factors and investment were deeply interconnected. On one hand, the uncertainty associated with an unstable economic growth of the investors reduced investment and the speed of economic development of the investors. On the other hand, poor economic performance leads to collapse of investment activities of the investors.

The finding in the table 4.4 above indicated that, to ask and identify cultural practice of the community determines the investment activities. The responses of the respondents showed that the mean score of 3.462 and standard deviation of .9912 indicated that cultural practice of the community determines the investment activities. The second item asked was to identify social norm of the community determines the investment activities. The responses of the respondents showed that the mean score of 2.751 and standard deviation of 1.3646 indicated that social norm of the community determines the investment activities. The third item asked was to identify the working culture of the local community determines the investment activities. The responses of the respondents showed that the mean score of 3.283 and standard deviation of .9373 indicated that the working culture of the local community determines the investment activities. The fourth item asked was to identify corporate culture of the local community determines the investment activities. The responses of the respondents showed that the mean score of 3.670 and standard deviation of .9283 indicated that corporate culture of the local community determines the investment activities and the last item asked was to identify business culture of the local community determines the investment activities. The responses of the respondents showed that the mean score of 3.335 and standard deviation of 1.0470. The researcher summarized the Analysis of the socio-cultural factors that determines investment activities with the Average men of 3.298. This result shown that it indicated that business culture of the local community determines the investment activities The findings of table4.5 above indicated that to identify natural resources (including energy) and infrastructure levels are the basic guarantee of investment development. The responses of the respondents showed that the mean score of 3.479 and standard deviation of .9976 indicated that natural resources (including energy) and infrastructure levels are the basic guarantee of investment development. The second item asked to identify that regional human resource development has become one of the key determinants of investment activities. The responses of the respondents showed that the mean score of 3.277 and standard deviation of 1.1975 indicated that regional human resource development has



become one of the key determinants of investment activities. The third item asked to assess that business environment of the investment area determines the investment activities. The responses of the respondents were showed that the mean score of 3.479 and standard deviation of 1.0431 indicated that business environment of the investment area determines the investment activities. The fourth item asked was to investigate that social & cultural environment of the investment area determines the investment activities. The responses of the respondents showed that the mean score of 3.566 and standard deviation of 1.1676 indicated that social & cultural environment of the investment area determines the investment activities. The fifth item asked was to identify that science & technology environment of the investment area determines the investment activities.. The responses of the respondents showed that the mean score of 3.560 and standard deviation of 1.1528 indicated that science & technology environment of the investment area determines the investment activities and the last item asked was to assess that the geographical environment of the investment determines the investment activities. The responses of the respondents showed that the mean score of 3.369 and standard deviation of 1.057 The researcher investigated in the Analysis of the *environmental factors* that determines investment activities with the Average mean of 3.455. The results shown that it indicated that the geographical environment of the investment determines the investment activities. The findings indicated in the table 4.6 above, the researcher asked to identify that unavailability of own fund determines the investment activities. The responses of the respondents showed that the mean score of 3.595 and standard deviation of 1.2287 indicated that unavailability of own fund determines the investment activities. The second item asked to assess that the delivery of finance to non-productive activities determines the investment activities. The responses of the respondents showed that the mean score of 3.618 and standard deviation of 1.1175 indicated that the delivery of finance to non-productive activities determines the investment activities.

The third item asked to investigate that the interest rate is a crucial determinant of investment activities. The responses of the respondents showed that the mean score of 3.606 and standard deviation of 1.1290 indicated that the interest rate is a crucial determinant of investment activities. The fourth item asked was to assess that inappropriate the financial structure determines the investment activities. The responses of the respondents showed that the mean score of 3.543 and standard deviation of 1.0480 indicated that inappropriate the financial structure determines

the investment activities and the last item asked was to identify global financial markets pose new challenges for investors investment activities. The responses of the respondents showed that the mean score of 3.705 and standard deviation of 1.1308. The researcher investigated in the Analysis of the *financial factors* that determines investment activities with the Average men of 3.613. The results shown that it indicated that global financial markets pose new challenges for investor's investment activities. The correlation analysis result shown that all independent variables were positively correlated to each other. Environmental and financial factors have a very strong positive correlation with investment activities ( $r = 0.822$ ,  $p < 0.05$ ) and ( $r = 0.820$ ,  $p < 0.05$ ) while the remaining variable have strong correlation at ( $r = 0.687$ ,  $p < 0.05$ ). This shown that, there was a positive and significant relationship between all the five independent and dependent variable

Generally, the researcher was summarized which conducted on the type of investment activities in which investors have engaged currently. Based up on the above summary trade was one of the highest investment activities in which investors have engaged in the study area which was followed by Hotel investment activities. In addition education was the third highest investment activities in Jimma town which was followed by health investment activities. Finally urban agriculture the least investment activities in which investors have engaged currently on Jimma town.

Similarly, on the basis of the major summary, the researcher also concluded that the attitude of investors towards investment activities in Jimma town was encouraging, economic factors like sources of capital, political factors like good governance and corruption, social factor like lack of awareness and environmental factors, in the town were determinants of investment activities and make stable economic and political environment, offer good governance, adjust fast and sustainable economic development, democratic decision making, promote market access and consider weather conditions were ideas raised for the improvement of investment activities.

## 5.2. RECOMMENDATIONS.

Based on the finding the following suggestion is forwarded to improve the factors that determine the investment activities in the study area and also to reduce or eliminate some problem faced by the investors. To enhance the investment activity in the Study area for the future, the following recommendations were suggested by the researcher to the concerned body.

- The city administration together with the investment office and the private investors revisit the practical application of investment incentives given to encourage private investments and take corrective measures accordingly. Similarly, it is recommended if further reform programs are instituted in order to allow more participation among the potential private investors and to motivate actual investors to diversify their business.
- Undertake public investment in a way that could promote the private investment. Similarly, the city's investment office has to make strong linkage and collaboration with the infrastructural facilities provider such as Ethiopian electric power corporation, telecommunication, road construction authority and other respective stakeholders to speed up these infrastructural expansions in progress. In addition, since all investments involve risks, both the actual and potential investors must have to understand situation and by being risk taker it is advisable they join the investment,
- Undertake inflation controlling mechanisms price stability and to encourage private investors to invest. In addition, the investors themselves are advised to set up controlling system that may help them to control their own activities and operations of other investors and suppliers of material.
- Governments' awareness creation about the benefits of personal saving for the growth of investment and improving interest rate given for saving that might contribute to the improvement of individuals saving. Similarly enhancing The real per capita income of the people. Finally, banking sectors has to pursue saving mobilization from all aspects of the economic agents.
- Creating consistent and transparent access for land and material policies and requirements that is applied for all investors, by creating clear administration and good governance at all levels. In addition, as a business person, investors

themselves should have to consider different alternatives of sourcing those material

- Generally the researcher recommended that the government body should facilitate infrastructure, community awareness and also to promote essential information to investors and should establish efficient advisory and consolation service.

## REFERENCE

- Adugna, H.(2013) Determinants of Private Investment in Ethiopia The case of Hulet EjEnese District, East Gojam Zone, Amhara Region, Ethiopia. *Journal of Economics and Sustainable Development*,9(25):22-28.
- ADB. (2019). Africa Economic Outlook 2019. Abidjan: African Development Bank, [www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2019AEO/AEO\\_2019-EN.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2019AEO/AEO_2019-EN.pdf).
- Agu, O. C. (2015). Determinants of Private Investment in Nigeria an Econometric Analysis. *International Journal of Economics, Commerce and Management United Kingdom* Vol. III, Issue 4.[2]
- Ambachew M (2010). Determinants of private investment in Ethiopia: *Ethiopian Journal of Economics*, Volume XIX, No. 1[3]
- Ambaye, G.G.,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.
- Amanuel, W. (2015).Determinants of private investment in Bureworeda, west Gojjam zone, Amhara National Regional State, Ethiopia. *Journal of Central Department of Economics*,33(9), 91p.
- Bahar B. (2013), The Role of private Sector investments in the economic performance of OIC member Countries; *Journal of Economic Corporation* 24, 1, 63-110
- Bakare, A.(2011). The determinants of private domestic investment in Nigeria. *Far East Journal of Psychology and Business*, 4(2), 27-37.
- Bayai, I. & Nyangara, D. (2013). An analysis of determinants of private investment in Zimbabwe for the period 2009-2011. *International Journal of Economics and Management Sciences*, 2(6), 11-42.
- Best, J.& Kahn, J. (2006).*Research design: Research in education*(4<sup>th</sup> ed.). USA: Pearson Education Inc.
- Cohen, L., Manion, L. and Morrison, K. (2007). *Research methods in education*. USA, Canada: Routledge.
- Creswell, J. W. (2012). *Educational research planning, conducting, and Evaluating quantitative and qualitative research* (4th ed.). Boston: Pearson Education, Inc.

- Deneke, S. (2011). Private Sector Development in Ethiopia. International Conference on African Development Archives: Paper 19. Available online <[http://scholarworks.wmich.edu/africancenter\\_icad\\_archive/19](http://scholarworks.wmich.edu/africancenter_icad_archive/19)> [Accessed 15 January 2021].
- Dornbusch, R. & Fishers, S. (1994) *Microeconomic* (6th Edition). New York: McGraw-Hill.
- E IA. (2012). Statistics on investment report in Ethiopia. Available online <[www.et.emb.japan.go.jp/Eco\\_Research\\_E.pdf](http://www.et.emb.japan.go.jp/Eco_Research_E.pdf)> Accessed 5/21/2021.
- Ephrem, G. & Andualem, U. (2015). Assessment of Domestic Private Investment in Wolaita Zone: Case of Sodo, Areka and Boday Cities, ISSN 2224-607X (Paper) ISSN 2225-0565 (Online Vol.5, No.15,
- FDE. (2011). *Ethiopia's Climate-Resilient Green Economy Strategy*. Addis Ababa: Federal Democratic Republic of Ethiopia
- Fisher (1994), *Macroeconomics, the World Bank and Department*, 6th edition, New York University and Population Council.
- Gizachew, Y. (2017). An Analysis of the Determinants of Private Investment in the Manufacturing Sector: The Case of the State of Tigray, Ethiopia, 3-86
- Hall E, Jorgenson D (1969). Tax policy and investment behavior: Reply and further results. *The American Economic Review* 59(3):388-401.
- Hashmi, M. H., Akram, W. and Hashmi, A. A. (2012). Role of Investment in the Course of Economic Growth in Pakistan. *International Journal of Academic Research in Economics and Management Sciences* September 2012, Vol. 1, No. 5 ISSN: 2226-3624.
- ILO (2017). Promoting Decent Work and Protecting Fundamental Principles and Rights at Work in Export Processing Zones. Geneva: International Labor Organization.
- IMF (2019). World Economic Outlook: Growth Slowdown, Precarious Recovery. Washington, DC: International Monetary Fund.
- Kedir, A. (2011). Determinants of private investment in Ethiopia. "Unpublished MSc thesis, Addis Ababa, Addis Ababa University.
- Makiw, (2002). *Macroeconomics*, fourth edition worth publisher, New York
- Michael, I.M. & Aikaeli, J. (2014). Determinants of private investment in Tanzania," *African Journal of Economic Review*, Volume 11(2), 39-52. Vol.4, No.2, 2016, pp.5256. doi:10.11648/j.ijefm.20160402.13

- Mohammad S., (2014). Determinants Influencing Individual Investor Behavior In Stock Market: A Cross Country Research Survey *Arabian Journal of Business and Management Review (Nigerian Chapter)* Vol.2 , No. 1
- Muhdin, M. (2016).Determinants of Private Investment: A Systematic Review.*International Journal of Economics, Finance and Management Sciences*.
- Serven L. and Anders Solimano (1991), Economic Adjustment and investment Developing Countries.
- Shafik, N. (1992). Modelling Private Investment in Egypt. *Journal of Development Economics*. Vol.39. pp263-277.
- Teklebrhan A, Sahlu T (2014). Determinants of domestic private investment firm growth in Ethiopia, a case study in Mekelle city, Tigray. *International Journal of Research in Commerce and Management* 5(6):16-28.
- Tobin J (1969). A general equilibrium approach to monetary theory. *Journal of Money, Credit and Banking* 1(1):15-29.
- Yamane,T. (1967). *Statistics, an introductory analysis* (2nd Ed.), New York: Harper and Row.
- WIR (2018). World Investment Report 2018: *Investment and New Industrial Policies*. New York and Geneva: United Nations.
- Mustefa, S. (2014). Private Investment and Economic growth Evidence from Ethiopia. A thesis Submitted in Partial Fulfillment of the requirements for Degree of Master of Science in Economics (Specialization in policy Analysis), Mekele University, Ethiopia
- Ouattara, B. (2004). Modelling the Long Run Determinants of Private Investment in Senegal. CREDIT Research Paper No. 04/05.

## Appendices A

**Jimma University**  
**College of Business and Economics**  
**Department of Economics**

This survey questionnaire will be filled by investors in Jimma town; I am post graduate (Master) student of Jimma University college of Business and economics department of Economics. Currently I am carrying out a study on the topic: *Determinants of investment activities in Jimma town, Oromia regional state*. Thus, the main purpose of this questionnaire is only to collect relevant data to complete this research project. Therefore, you are, kindly requested to fill the questionnaire in order to give necessary information. The success of this study directly depends upon your honest and genuine response to each question. Each data you supply will be utilized only for educational purpose.

### I. Survey questionnaire to be filed by participants in the study area

Survey questionnaire code \_\_\_\_\_ Name of the enumerator:

\_\_\_\_\_  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

1. Name of Kebele \_\_\_\_\_

2. Gender; 1= Male 0= Female

3. Age \_\_\_\_\_ years

4. Education level of household head 1.Illiterate 2.Adult education 3.Primary  
4.Secondary

5. Marital status of the household head 1. Single 2.Married 3.Divorced 4.Widows

### Part: II. Questions

1. In which type of investment are you engaged currently?

1,Hotel 2,trade 3,Agricultural4,Health 5,.Education

#### A. Economic factors that determine investment activities

The Rating scale was 1-5, where: 5= strongly agree (SA), 4= Agree (A), 3=Neutral (N), 2= Disagree (DA), 1= strongly disagree (SDA)



No	Items	Strongly disagree	disagree	Undecided	Agree	Strongly agree
1	Lack of sufficient capital determines the investment activities of investors.					
2	The speed of economic development determines the investment activities.					
3	Economic growth of the area determines the investment activities of the investors.					
4	Poor economic performance may lead to the investment activities to collapse.					
5	The economic level of the investors determines the investment activities.					
6	Local communities economical level determines the investment activities.					

**B. Socio-cultural factors that determine investment activities**

No	Items	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
1	Cultural practice of the community determines the investment activities.					
2	Social norm of the community determines the investment activities.					
3	The working culture of the local community determines the investment activities.					
4	Corporate culture of the local community determines the investment activities.					
5	Business culture of the local community determines the investment activities.					

**C. Political factors that determine investment activities**

No	Items	Strongly disagree	disagree	Undecided	Agree	Strongly agree
1	Lack of good governance determines the investment activities of investors.					
2	Bureaucratic procedure of the management system of the investment office					

	determines the investment activities.					
3	The practice of Corruption in the government office determines the activities.					
4	Lack of better political and governance institutions determines the investment activity					
5	The quality of political and governance institutions determines the investment activities.					
6	Political instability determines growth investment activities.					

**D. Environmental factors that determine investment activities**

No	Items	Strongly disagree	disagree	Undecided	Agree	Strongly agree
1	Natural resources (including energy) and infrastructure levels are the basic guarantee of investment development.					
2	Regional human resource development has become one of the key determinants of investment activities.					
3	Business environment of the investment area determines the investment activities.					
4	Social & cultural environment of the investment area determines the investment activities.					
5	Science & technology environment of the investment area determines the					

	investment activities.					
6	The geographical environment of the investment determines the investment activities.					

**E. Financial factors that determine investment activities**

No	Items	Strongly disagree	disagree	Undecided	Agree	Strongly agree
1	Unavailability of own fund determines the investment activities.					
2	The delivery of finance to non-productive activities determines the investment activities.					
3	The interest rate is a crucial determinant of investment activities.					
4	Inappropriate the financial structure determines the investment activities.					
5	Global financial markets pose new challenges for investors investment activities.					

## II. Structured Interview

Questions designed to be filled by managers of trade and investment office.

1. What is the role of your office in investment activity?

---

---

---

---

2. What are their major investment activities in Jimma town?

---

---

---

---

---

---

3. What are the major factors that contributed to low level of investment in in Jimma town?

---

---

---

---

4. What do you think can contribute to encourage potential investors and activate the level of investment activity in this town?

---

---

---

---

### III. Observation Checklist

The following points are designed to be observed by the researcher who is conducting research on the determinants of investment activities in Jimma town.

1. What are the investment activities that investors are operating or engaged in?

- Education \_\_\_\_\_  Manufacturing \_\_\_\_\_   
Investment in hotel and tourism \_\_\_\_\_  Health  
\_\_\_\_\_  Others (specify) \_\_\_\_\_

2. Problems the investor's face

- Social problems \_\_\_\_\_  Administrative /political  
\_\_\_\_\_  
 Production materials \_\_\_\_\_  Others (specify ) \_\_\_\_\_

3. Support or incentives given from government

- Loan from bank \_\_\_\_\_  Fee land  
\_\_\_\_\_  
 Exemption from tax \_\_\_\_\_  Market for your good or service  
\_\_\_\_\_  Others (specify ) \_\_\_\_\_

### IV. Document Analysis

1. What does the existing document denote to enhance level of the activity?  
(Description of ideas are requested by researcher's observation)

2. How do we enhance the contribution of investment to reducing poverty in Jimma zone?

3. What are the guiding principles that we apply for achievement of the infrastructure challenge?