

***DETERMINANTS OF DOMESTIC PRIVATE INVESTMENT
GROWTH IN KAFFA ZONE, EVIDENCE FROM SOME
SELECTED WOREDA***

*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 Business Administration (MBA)*

**BY:
WASIHUN AYELE SISTO**



**JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MBA PROGRAM**

June 7, 2021

JIMMA, ETHIOPIA

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WASIHUN AYELE SISTO

Under the Guidance of

Mr. Debebe Alemu (Ass professor)

And

Mr. Firew mulatu (MBA)



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CERTIFICATE

This is to certify that the thesis entitles “Determinants of domestic private investment growth of kaffa zone: evidence from some selected woreda”, submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) and is a record of Bonafede research work carried out by Mr. *Wasihun Ayele sisto*, 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

DECLARATION

I hereby declare that this thesis entitled “*Determinants of domestic private investment growth of kaffa zone: evidence from some selected woreda*”, has been carried out by me under the guidance and supervision of Mr. Debebe Alemu and Mr. Firew Mulatu.

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

Researcher’s Name

Date

Signature

ABSTRACT

Domestic Private investment is key determinants of economic growth. The aim of this study was to examine the determinants of domestic private investment in kaffa zone, Ethiopia. by giving due concern on personal, financial, administrative and locational factors. Mixed research approach was used by giving emphasis on both qualitative and quantitative data analysis method. Primary data which was collected by predesigned self-administered questionnaire and structured interview was use. Cluster sampling technique was used to determine participants of the study. all investors operating in six wereda were selected. In order to obtain primary data total of 138 questionnaires were distributed to investors found in selected woreda of kaffa zone. To analyze descriptive data descriptive statistics like mean, median, and standard deviation were used. To analyze inferential data, binary logistic regression model was used with help of statistical package for social science (SPSS-26) software. The result of the study shows that investment experience, level of education, investment incentives, access to land, access to finance, infrastructure, access to market, access to raw material are positive and significant determinants of domestic private investment growth in the area. Inflation and covid-19 pandemics are negative and significant determinants of domestic private investment growth of kaffa zone. It is recommended that concerned bodies in the area should have to take prior step to improve growth status and mitigate obstacles such as poor investment incentives, infrastructural facilities access to land, access to finance and access to market in order to improve investment climate in the area.

Key words: personal factors, administrative factors, financial factors, locational factors covid-19, domestic private investment, growth.

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LIST OF ACRONYMS

CPI: consumer price index

CSA: central statistics agency

DPI: domestic private investment

EC Ethiopian calendar

FDI: foreign direct investment

LDCs: least developed countries

GDP: gross domestic product

GNI: gross national income

MSE: Medium and Small Enterprise

NGOs: non-governmental organization

PI: per capita income

SNNPR: south nations nationalities and people region.

SPSS: Statistical Package for Social Science

CHAPTER ONE: INTRODUCTION

1.INTRODUCTION

This study was conducted on determinants of domestic private investment in Ethiopia, kaffa zone. This chapter describe a basic issue of investment and its determinant factors and introductory parts of the study including the background of the study, background of the study area, statement of the problem, objectives of the study, scope of the study and significance of the study, which are described sequentially as following.

1.1. BACKGROUND OF THE STUDY

Economic literatures prove that investment is, both empirically and theoretically, the key determinants to economic growth. Economic growth refers to an increase in a countries production or per capita income. It is usually measured by gross national product (GNP) or gross national income (GNI), used interchangeably, an economy's total output of goods and services.(Muhammedhussen Batu, 2016). Investment refers to the purchase of several goods and services that can be used for the production of other goods and it increases the productive capacity of the economy. It is the major foundation of enhancement in the level of literacy, improvement in technology and increase in the capital stock (Ali et al., 2013).

Private investment refers to investment by private business for the purpose of profit generation. It has an important role in job creation, growth expansion, and poverty reduction. Thus The growth of private investment is low, the productive capacity of the economy become decrease and these results in lowering the growth rate of investment, increasing unemployment rate and less opportunity for the poor to improve their livelihoods.(Frimpong & Marbuah, 2010)

A rate of investment is one of the key factors that differentiate developed countries from developing countries (Muhammedhussen Batu, 2016). 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. This in turn leads to lower rates of growth and job creation, and fewer opportunities for the poor to improve their livelihoods. According to Sackey, (2009) countries with high standards of living are those who have shifted the economic structure from traditional and less diversified to a more diversified one. Commitment to investment is the central issue in the process of structural diversification. Countries that are

developed are those that have invested much in their economies whereas countries that are investing slowly, are not only developing slowly but also still remaining poor (Durlauf et al., 2001).

Private Investment is the main hope of least developing countries like Ethiopia to increase the level of income, because it is essential to increase the living standard of the people. Empirical evidence in most studies indicates that private sector-led growth has a stronger positive impact on growth than public investment (Frimpong & Marbuah, 2010). Similarly studies by Bakare, (2011) support this assertion, that since private investment is more efficient and less closely associated with corruption, it has a stronger and more positive effect on economic growth than public investment. The role of the private sector is important in terms of its ability to allocate and employ resources efficiently and its contribution to the quantity of domestic investment. Private investment is not only important for job and employment creation, but it also has a role in the acceleration of both infrastructure and social services.

Empirical literature has identified some deterrent variables that are responsible for explaining the level of domestic investment in the economy. a study by Sisay, (2016) on determinants of private investment in Ethiopia a time series reveal that private investment in Ethiopia is influenced positively by domestic market, return to capital, trade openness and liberalization measures, infrastructural facilities and FDI; but, negatively by government activities, macroeconomic uncertainty and political instability. The result of empirical study by Megbaru. T. (2018) on Administrative, Infrastructure and Finance Related Factors Affecting Private Investment in East Gojjam Zone, Ethiopia shows that Administrative and policy related factors, Infrastructure related factors Macro economic variables which have a nationwide effect, unavailability of foreign exchange reserves and exchange rate fluctuations affects private investment. The result of a study conducted by Osebo, (2018) on assessment of determinants of private investment performance in Hadiya zone shone town reveal that the variables: political factors locational factors and market factors were significant with positive correlation with private investment in bombe town. The finding of study by Tigist & Mekonnen, (2018) on Determinants of growth of private investment in Jimma City, Ethiopia, show that, education, marital status, age, personal saving, inflation, public investment, investment incentive, raw materials and land are a statistically significant determinant of private investment of Jimma city.

Corona virus, which is emerged in Wuhan, china, has been spreading across the world. Consequently, as of the end of march more than 120.9 million cases, 2.7 million death and 97.5 million recovery has been registered globally. This unprecedented outbreak caused massive destruction on the global economy by affecting global supply chain integration, travel, human behavior, the leadership, and commodity markets (Bogale et al., 2020). Since then it has been disseminated all over the world. Countries has been declaring lockdown to mitigate and control the consequence of the pandemics. Ethiopia is among countries which are seriously affected by the unprecedented outbreak of the pandemic. Following this the government had tried to take different measures. The measures that were taken by the government to contain the dissemination of the virus such as: social distancing, stay- at – home, partial lock downs etc. would reduce both the supply of labor and utilizations of capacities by the firms (Ayenew et al., 2020). The findings of study by Lemi et al., (2020) show that the spread of the virus has adversely affected both the supply and demand side of MSME’s operation. Specific consequences include raw material supply was stopped, shortage of workers happened, shortage of working capital created, their operational cost increased, and consumers consumption declined.

Based on the Ethiopian Investment Proclamation, Kaffa zone investment office was established and has been legally acknowledged zonal office to perform its operation as per the investment proclamations and related regulations of the country. since the establishment of the zonal investment office there has been a tremendous change in the area of investment as compared to the situation that were prevailed before the inauguration of investment bureau. in spite of the fact that kaffa zone is endowed with natural resources including suitable farm land for coffee and tea production, spices, suitable land for livestock and honey bee production and kaffa biosphere reserve which extends over more than 760,000 hectares, the investment growth is proved to be low in the area. The sad truth is that the zone and the country as a whole is not benefited from such a lucrative resource due to low investment performance. The reason for this low rate of investment growth is supposed to be lack of commitment from the administrator side to create good investment climate for the potential investors, besides weakness in courage to identify the possible bottleneck of investment operation in the area. So, the aim of this study was identifying and examining determinants of growth of domestic private investment in Kaffa zone.

1.2. Background of the study area

The study was conducted on determinants of domestic private investment growth in kaffa zone. Kaffa zone is one of the zones found in south nation nationalities and people's region (SNNPR). The size of the zone is above eleven-thousand square- kilometer. The altitude of the zone ranging from 500 meter above sea level which is found in southern part of the zone (Decha woreda) to 3348 meters above sea level found in Telo woreda. Bonga is the capital city of the zone which is 454 kilometers far from Addis Abeba and 724 kilometers away from Hawassa. Capital city of the region. According to the census made by the central statistics agency (CSA) and the population estimation made by the regional state, the population of the zone by the year 2011 EC was 1,225,007, from which 604, 747 (49.36 %) are males and 626,260 (51.64 %) are females. The population distribution of the zone is 111.36 people per square kilometer. From total population of the zone 87.8 % of people lives in rural area and 12.2 % of people lives in urban area. the neighboring zones and areas of kaffa zone are, in north and north east with Oromia region, in west and south west with Bench maji zone, in north with sheka zone and in eastern part with konta special woreda. Bonga town, the center of the zone has estimated population of more than 500, 000 people.

Figure 1.1 administrative map of kaffa zone



Source: Kaffa Zone Finance and Economic Development statistical abstract bulletin, 2013

1.3 Statement of the problem

Investment has a paramount importance in the process of bringing rapid economic development of a nation. Most developing countries are giving due concern on domestic investment to facilitate their economic growth.(Christopher & Onyinye, 2015) Domestic investment is one of the main determinants for growth and development of a nation. Ethiopia is endowed with sustainable natural and human resources. Likewise, Kaffa zone as a part of Ethiopia, is endowed with natural resources, growing young population, conducive climatic condition and surrounded by dense forest resource. (Kaffa development association, 2019)

Kaffa zone has long time history of existence but the zone is not yet developed as its long year of existence and It needs collaboration of everyone to bring change on the economic growth of the zone. Kaffa development association, (2019). According to studies most instruments for the socio-economic development of a given society is mainly dependent on the level of income, it's spare of saving and thereby level of investment activities performed within the range of that society. Investment activity especially private investment activity in Kaffa zone is on its infancy stage with low level of investment operation. In relation with low investment performance of the zone, majority of society who resides in the zone are leading poor standard of life due to traditional way of farming, low level of employment opportunity and income (Abebe, 2008)

Due to various contributing factors, private investment in Ethiopia has shown different trends of fluctuating and growing performance. (Fujaw, 2018). Determinants of private investment have been studied by different researchers. Ambachewu, M (2016) has conducted study on determinants of private investment in Ethiopia, and found that private investment in Ethiopia is influenced by domestic market, return to capital, trade openness and liberalization measures, infrastructural facilities and FDI; but, negatively by government activities, macroeconomic uncertainties and political instability. A result of study conducted by Gofe, (2018) on assessments of the determinants of investment activities in nekemte town reveal that difficulties of finance and lack of credits when they started their business, and low encouragement from the investment offices are the major findings of the study. Similarly, Tigist & Mekonnen, (2018) conducted on Determinants of growth of private investment in Jimma City, Ethiopia and concluded that education, marital status, age, personal saving, inflation, public investment,

investment incentive, raw materials and land are a statistically significant determinant of private investment of Jimma city.

The study done by Megbaru (2019) on Administrative, Infrastructure and Finance Related Factors Affecting Private Investment in East Gojjam Zone, conclude that Administrative and policy related factors, Infrastructure related factors, Macro economic variables, unavailability of foreign exchange reserves and exchange rate fluctuations are major bottlenecks of investment in East Gojjam.

Moreover , there are a number of studies carried out at inter Regional and national level to mention it , by Muhammedhussen Batu, (2016); Bakare, (2011); Sisay, (2016.); and Frimpong & Marbuah, (2010) and others on determinants of private investment, majority of them focus on Macroeconomic variables and at large area, As per the researcher knowledge there is no study conducted in case of Kaffa zone. hence the investment bottlenecks that limit the growth of investment till now are not yet been Studied and identified, the result of studies listed above are not consistent with the current study area because of their due consideration on large area and macro variables, difference in investment locational factors, administrative structure and the distance of the area from the center. as result this study was tried to fill the gap of absence of study in the area.

Besides, the researcher added new insight on the literature by focusing on a new variable, i.e. is the effect of covid- 19 pandemics on the operation and growth of investment. which are not yet been studied and tested so far. Together with this novel variable, detecting and monitoring those variables is a must for the growth of the private investment sector. But, the absence of research on the area, that is, kaffa zone has long been facing serious problem in minimizing hurdles of growth of private investment in the area. The purpose of this study was to examine and explain determinants that affect the growth of domestic private investment in kaffa zone.

1.4. Research questions

The following research questions were posed to get required information.

1. What are personal factors affecting the growth of domestic private investment in kaffa zone?
2. What is the effect of administrative factors on the growth of domestic private investment in kaffa zone?
3. What is the impact of finance related factors on the growth of domestic private investment in kaffa zone?
4. How does investment locational factors affect the growth of domestic private investment in kaffa zone
5. What is the effect of covid-19 pandemics on the growth of domestic private investment in kaffa zone?

1.5. Objectives of the study

1.5.1. General objective of the study

The general object of the study was to examine the determinants of growth of domestic private investment in kaffa zone.

1.5.2. Specific objectives of the study.

- 1 To identify personal factors affecting domestic private investment.
- 2 To examine the effect of administrative factors on growth of domestic private investment in kaffa zone
- 3 To examine the effect of finance related factors on domestic private investment
- 4 To investigate the effect of investment location on the growth of domestic private investment in kaffa zone.
- 5 To investigate the impact of covid-19 pandemics on growth of domestic private investment.

1.6. Significance of the study

Investment is the primary engine to promote any countries economic growth. Identifying the bottlenecks of investment is a very crucial stance on the way of fostering a conducive investment climate. Hence, the result of this study would benefit kaffa zone by portraying the major determinants factors of private investment. Moreover, the results of this study would benefit policy makers, potential investors who are interested to invest in the area and future researchers, by identifying determinant factors of investment in the area and by giving possible

recommendations based on the findings of the study, it gives direction for future researcher in the area of study. The study is expected that it has a benefit to the public in general and potential investors in particular.

1.7. Scope of the study

Because of time, money and knowledge/capacity the study was limited on the determinants of growth of domestic private investment specifically with due consideration on the following variables: personal factors, administrative factors, investment location, finance and covid-19 related factors. And other variables were not included on the study. The study was not included Micro and Small Enterprise (MSE), public investment, endowment fund investments, non-governmental organizations (NGOs), foreign direct investment (FDI). Geographically, the study focusses only on data gathered from kaffa zone. Methodologically, the research focus on the inferential and descriptive data collected from primary sources. The time dimension of the study is a cross sectional with the help of data collected at a single point of time in 2013 E.C.

1.8. Structure of the thesis

The study contains five chapters. The first chapter deals about introduction part of the study including background of the study and background of the study area, statement of the problem, research question, objective, significance, scope, and limitation of the study. The second chapter contains related review literature including the theoretical literature, empirical studies and conceptual framework of the study. Third chapter deals with methodology of the study, the fourth chapter contains analysis and presentation of the study and the last but not least, is the fifth chapter which contains summary, conclusion and recommendation of the study.

CHAPTER TWO: LITERATURE REVIEW

This chapter examines an existing literatures and empirical studies on investment in general and private investment in particular. The subtopics that are covered in this chapter include; the first section shall deal with definition and concepts of investment; the second section shall focus on theoretical review of literature. And third section of the chapter shall deal with the practical (empirical) evidence of the existing literature and the fourth section of the chapter would summarize the chapter and finally the last section of the section focus on conceptual model and the definition of study variables. This study focuses on determinants of growth of domestic private investment in Kaffa zone.

2.1. Theoretical literature review

2.1.1. Investment defined

For many years, investment has been viewed and defined in different ways by different authors, even though it is defined and viewed by different authors in different ways its central tenet has the same concept. 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.

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 (Gofe, 2018). According to Gnansounou (2010) investment is a vehicle in which funds can be placed with expectation that they will generate positive income and their value will be preserved or increased.

According to Gebrewubet, (2017) Investment is generally classified into four major components: private domestic investment, public domestic investment, FDI and portfolio investment. Private domestic investment refers to gross fixed capital formation plus net changes in the level of inventories whereas public investment includes investments made by the government and public enterprises on social and economic infrastructures, real estate and tangible assets. The combination of private investment and public investment is normally referred to as gross fixed capital formation and this is distinctive from their counterpart – foreign investment. When foreign investment is on a tangible asset, it is referred to as a direct foreign

investment; when it is in shares, bonds, securities, etc., it is called portfolio investment (Bakare, 2011).

The major concern of this study lies on private domestic investment which is an investment spent by residential/ nonresidential investors and their objective is mostly for profit and risk diversification. Private investment is a crucial pre-requisite for economic growth because it allows entrepreneurs to set economic activity in motion by bringing resources together to produce goods and services (Yesigat, 2018).

2.1.2. Theories of investment

Different theorists came up with various theories of investment over different time periods. This section endeavors to unearth some of the very prominent theoretical literature on private investment. This section discusses the theories of private investment. More specifically, the Accelerator theory, the Tobin Q theory, Keynes theory, the Neoliberal theory and the factors of production theory were all be reviewed(Yesigat, 2018)

2.1.2.1. Accelerator model of Investment

After Keynes the evaluation of investment was linked to simple growth model. This model gives rise to the accelerator model. Accelerator model explains that investment decision of a firm is determined by changes in demand for its produces (Song et al, 2001, P. 229). It states investment as a linear function of output change in the economy. A model asserts that investment spending is directly proportional to the change in output and is not affected by the cost of capital. This theory was advanced by Clark in 1917. The simple, also termed as naïve accelerator, model was based on the view that firms install new capital when they need to produce more. The main implication of the model is that the investment expenditure of an investing firm is proportional to its output while its output is a function of demand. (Gebrewubet, 2017)

The accelerator growth theory makes investment a line or proportion of change in output. Its extremely simplicity explains its popularity; given all incremental output ratios. It is easy to compute the investment requirement associated with a given target for output growth. Perfect completion and exogenously determine output. This theory has not given emphasis to the cost of capital goods, expectation and profit in its model. In addition, the model also assumes that the ratio of desired capital to output is constant, but in reality, it varies with a variation in the cost of capital and technology(Tigist & Mekonnen, 2018)

2.1.2.2. Flexible accelerator model

Flexible accelerator model was designed by Hall and Jorgenson (1969). It is the partial adjustment model of investment based on the optimal accumulation of the capital. This means, the larger gap between the existing and the desired capital stock reveals the more investment rates. According to this model, output, internal funds, cost of external financing and other variables are treated as the determinants of desired capital stock which are ignored by the simple accelerator model. However, a particular drawback of this model is that it does not rationalize the rate of investment or movement toward the optimal capital stock.

2.1.2.3. Neo classical model

In addition to flexible accelerator, neo classical model was developed by Hall and Jorgenson (1969). It is similar to the flexible model but desired capital stock is proportional to output and the user cost of capital which in turn depends on the price of capital goods, the real rate of interest, the rate of depreciation and the tax structure. This model was criticized for its limitation in estimating investment function, that is, lack of readily available methods of measuring capital stock and returns to capital for developing countries

2.1.2.4. Tobin Q Theory

Tobin Q Theory was the theory promulgated by James Tobin in 1969. Tobin Q explains the ratio of market worth of an organization to substitute cost of capital invested. When the ratio is more than one, the organization might want to invest more resources to enable repayment of the investments. A ratio equal to one indicates that the firms would be indifferent on investing more based on the either possible outcomes of the returns. If the Tobin Q ratio is below one, then the organization would be better off disposing the current assets other than acquiring others. Tobin Q is criticized for its difficulty in measuring or even quantifying replacement costs. For experimental consideration, the average Q is often used instead of the marginal Q as it is hard to measure. Average Q is defined as the ratio of the market value of the current stock of capital to its replacement costs.(Misati & Nyamongo, 2011)

The theory brings out the importance of cost of capital as a determinant of private investment. Meaning, if the cost of capital is high, the firm will invest more in order to cover up all the cost of capital. Off course, to invest more, the factors of production must be involved. This implies that the higher the interest rate the higher the level of factors of production used. The criticism of

this theory is that the theory is it is silent on the impact of the rest of factors of production on private investment.

2.1.2.5. Neoliberal theory.

The neoliberal theory as proposed by McKinnon and Shaw (1973) emphasized on the importance of financial deepening as well as high interest rates needed to stimulate economic growth. The authors further argued that developing economies endure financial repression; including controlling of interest rates through a downward direction, which further hurt the private investments in any country. Economies having financial repressions need freedom to do business to allow resources circulating thus promoting investments as well as income. This is an indication that positive relationship between investments and interest rates exist and thus the driving force between private investment and the government is the enabling environment. An increase in interest rates leads to increased trading volumes and also encourages savings through financial intermediaries in that way raising funds for both public and private investments. This approach and the effect of interest rates and investments was described as the conduit effect as described by Mckinnon (1973). There are perceptions and support that an increase in the interest rates reduces demand for new investments. Private investments increase due to increase in financial muscles. Demand and supply of services make stable investments that can then enable economic growth.

The aforementioned theoretical evidence depicts that change in demand for the product in which an investment expenditure of an investing firm is proportional to its output while its output is a function of demand, is the determinants of investment. furthermore, internal funds; cost of external financing; financial depinning and interest rate; and the ratio of market worth of firms to substitute cost of capital invested are treated as determinants of investment.

2.2. Empirical review.

This section addresses the discussion on other studies which have been done on independent variables of this study (personal factors, administrative factors, investment location and finance related factors) and on dependent variable, domestic private investment growth. By focusing on thus variables different researchers have conducted at different time and different place.

Determinants of domestic private investment have been studied by different researchers. According to Seruvatu & Jayaraman, (2001) a study conducted on determinants of private investment in Fiji, found that top ten obstacles to investment in Fiji are: Government policy uncertainty; Red tape and bureaucracy; General economic climate; Government regulations; Finding skilled labor; Political situation; Land issue; Law and order; Lack of infrastructure; and Utility costs like water and electricity.

A result of study conducted by Gofe, (2018) on assessments of the determinants of investment activities in nekemte town reveal that difficulties of finance and lack of credits when they started their business, and low encouragement from the investment offices are the major determinants of the investment.

Sisay, (2016) has conducted study on determinants of private investment in Ethiopia, and found that private investment in Ethiopia is influenced by domestic market, return to capital, trade openness and liberalization measures, infrastructural facilities and FDI; but, negatively by government activities, macroeconomic uncertainties and political instability.

The result of study conducted by Bakare, (2011) on The Determinants of Private Domestic Investment in Nigeria, reveal that real private investment in Nigeria is best explained by changes in political trend by a dummy variable representing political instability; macroeconomic instability and poor infrastructure, political crises may have created a climate hostile to private investment in Nigeria. The overall measure of political and macroeconomic instability has been a major hindrance to private investment.

Table 2.1 determinants of investment identified from previous study.

S.N O	Author(s) name and year	Title	Methods/technique used	Variable considered	Sig n
1.	Megbaru T.	Administrative, Infrastructure and Finance Related Factors Affecting Private Investment in East Gojjam Zone, Ethiopia	Descriptive	Administrative, Infrastructure and Finance Related Factors	
2.	Ambachewu M. (2016)	determinants of private investment in Ethiopia; a time series study.	multivariate single equation (ECM estimation)	Domestic market,	+
				return to capital,	+
				trade openness and liberalization	+

				infrastructural facilities	+
				Government activities	
				Macroeconomic uncertainty	-
				political instability	-
3.	Bakare, (2011)	Determinants of Private Domestic Investment in Nigeria	error correction mechanism (ECM)	Infrastructure	+
				Corruption,	-
				Political Instability	-
				Investment Climate	+
4.	Tesfaye Eresso Gofe (2018)	Assessments of the determinants of investment activities in nekemte town	Descriptive study	Access to finance	+
				Investment incentive	+
5.	Tigist W and Mekonnen B (2018)	Determinants of growth of private investment in Jimma City, Ethiopia	Binary logistic regression	Marital status, age personal saving.	
				Inflation, public investment, investment incentive, raw material and land.	
6.	Aduigna, H (2013)	Determinants of Private Investment in Ethiopia	Ordinary least square (OLS)	Public investment	+
				Real GDP per capital	+
				External debt	+
				Inflation	-
7.	(Muhammedhusen Batu, 2016)	Determinants of Private Investment:	Systematic Review	interest rate, credit, inflation rate, international trade, and money supply	+
8.	Osebo, G. (2019)	Assessment of Determinants of Private Investment Performance in Hadiya Zone Shone Town	Logistic regression	political factors, locational factors and market factors investment facilitation services	+

2.2.1. Personal factors and domestic private investment.

personal and behavior variables the determinants of domestic private investment. As of the study finding by (Tigist & Mekonnen, 2018) states that age, education, and marital status are personal factors which are significant determinants of private investment.

The result of study conducted by (Jain, 2012) reveals that there is a negative correlation between Marital Status, Gender, Age, Educational Qualification and Occupation of the investors' also there is a positive correlation between Cities, Income Level and Knowledge of the investors' to take financial risks in "everyday money matters."

A study by Grable & Grable, (2000) entitled as a review of current risk-taking and risk-tolerance research indicates that factors such as gender, age, marital status, occupation, income, and expectations may influence a person's level of risk taking in everyday money matters. In the light of aforementioned literature, it is hypothesized that:

H1: level of education is statistically significant determinants of domestic private investment growth of kaffa zone.

H2: investment experience is statistically significant determinants of domestic private investment growth of kaffa zone.

H3: Attitude of investors toward investment risk is statistically significant determinants of domestic private investment growth of kaffa zone.

2.2.2. Administrative factors and domestic private investment.

According to (Ball, 2003) The quality of governance directly affects the level and nature of private investment in a country. Private investment in turn is a major determinant of economic growth, and the ability of a country to reduce or alleviate poverty and improve the lives of its citizens.

A result of study conducted by (Dash, 2016) on The Impact of Public Investment on Private Investment: Evidence from India shows that public infrastructure (represented by kms of roads per capita) has a positive effect on private investment in the short run.

Megbaru T, (2019) Identified administrative factors that affects the performance of domestic private investment as arbitrary and inappropriate enforcement of business regulation, bureaucracy and policy implementation delay, policy distortion and rent seeking, direct government involvement on some investment area, corruption and dysfunction of the judiciary system, malpractice in granting licenses of investment activities and favoritism in tax revenue collection.

Similarly, Tigist & Mekonnen, (2018) found that poor incentives given by government, poor public investment, difficulties in getting suitable land for business and materials are the administrative factors that negatively affects the growth of investment.

The literatures investigated above are an evidence that investment incentive, corruption bureaucracy, public investment in the form of infrastructure, tax administration and others are administrative factors, which are significant determinates of growth of investment. in the light of aforementioned literature, it is hypothesized that:

H4: Investment incentive is statistically significant determinants of domestic private investment growth of kaffa zone.

H5: bureaucratic red tape is statistically significant determinants of domestic private investment growth of kaffa zone.

H6: access to land is statistically significant determinants of domestic private investment growth of kaffa zone

2.2.3. Financial factors and domestic private investment.

A systematic review entitled determinants of private investment by (Muhammedhussen Batu, 2016) found that interest rate, credit, inflation rate, international trade, and money supply are also slightly important in explaining the performance of private investment. In this regard, reasonable interest rate, broad money expansion and trade liberalization positively contributes to private investment.

(Tigist & Mekonnen, 2018) Found that inflation and personal saving are financial factors which are significant determinants of private investment. similarly a study by Adugna, (2013) Determinants of Private Investment in Ethiopia shows that public investment, real GDP per-capita, and external debt have significant positive long run effect on private investment, while lagged private investment (proxy for investment climate) has significant negative long run effect. In the short run, real GDP per-capita and external debt have significant positive contribution to private investment, while inflation has significant short run negative effect on private investment

(Adugna, 2013) states that in Ethiopian, inflation has significant short run negative effect on private investment. he further explained that, high inflation rate over the last couple of years

seems to have affected private investment in the short run by undercutting the saving capacity of citizens (shortage of investment finance), by weakening investors' confidence and ability to invest, and/or by triggering diversion of investment from productive sector to speculative activities. In contrary to this (Frimpong & Marbuah, 2010) concluded that the short-run and long-run results indicate that inflation has been a stimulant for private investment rather than discourage it.

So, the empirical studies are evident that inflation access to finance, inadequate amount of loan, high level of interest for loan, lending bureaucracy, unavailability of foreign currency and exchange rate fluctuation are deemed to be the financial factors determining the growth of domestic private investment. Based above-mentioned literature it is hypothesized that:

H7: Access to finance is statistically significant determinants of domestic private investment growth of kaffa zone.

H8: interest rate on loan is statistically significant determinants of domestic private investment growth of kaffa zone.

H9: inflation is statistically significant determinants of domestic private investment growth of kaffa zone.

2.2.4. Investment location and domestic private investment.

These identified area-specific factors affecting investment decisions such as access to the market, access to infrastructure, and distance to raw materials, and costs incurred specifically due to the location of the enterprise. According to studies the effect of sector location is also found to be significant for firms in agriculture, manufacturing, and services .(Gebrewubet, 2017)

Infrastructural facilities are the most crucial driving variable of domestic private investment. Thus, Private investment and public investment are found to be complementary and thus there is the need for the government to continue to develop the infrastructural base of the economy to boost the private sector (Asante., T. 2000). The estimation results for the long run model point to infrastructure and the real interest rate as having statistically significant positive influences on domestic private investment(Kingdom & Agu, 2015).

A study made by Adugna (2013) revealed that public investments in basic infrastructures and social overheads are essential for private investment in countries like Ethiopia where such basics are in serious shortage, and where private sectors do not usually dare to go for. Besides, rising real per-capita income of the peoples has crucial positive effect on private investment by way of increasing market demand for goods and services, which in turn trigger private investment.

According to Megbaru. T. (2019). Factors which includes electricity, water supply, inadequate transport and communication system, unavailability of health and educational facilities are all problems of private investment. In the light of aforementioned literature, it is hypothesized that:

H10: Access to infrastructure is statistically significant determinants of domestic private investment growth of kaffa zone.

H11: Access to market is statistically significant determinants of domestic private investment growth of kaffa zone.

H12: Access to raw material is statistically significant determinants of domestic private investment growth of kaffa zone.

2.2.5. Covid-19 pandemics and domestic private investment

Though there are is no studies conducted on the case with such direct relationship, there are various empirical literature evolving to explain the devastating effect of covid-19 pandemics on socio-economic aspects of human being all over the world. Thus, a study of Ayenew et al., (2020) on the effect of Covid -19 on industry sector in Ethiopia, is evident that COVID-19 is becoming potential threat for all sectors of the economy. They further explain that as the global economy is in higher term oil conditions, it goes without saying that there would be disruptions in domestic demands. In turn, this has adverse impact on the level of jobs and income that most self- employed earned. furthermore an empirical study by Lemi et al., (2020) entitled the Effect of COVID -19 on Micro, Small and Medium Enterprises' Operation in Ethiopia revealed that the spread of the virus has adversely affected both the supply and demand side of MSME's operation. Specific consequences include raw material supply was stopped, shortage of workers happened, shortage of working capital created, their operational cost increased, and consumers consumption declined. Based on the above empirical evidence it is hypothesized that:

H13: covid-19 pandemics is statistically significant determinants of domestic private investment growth of kaffa zone.

2.3. summery and research gap

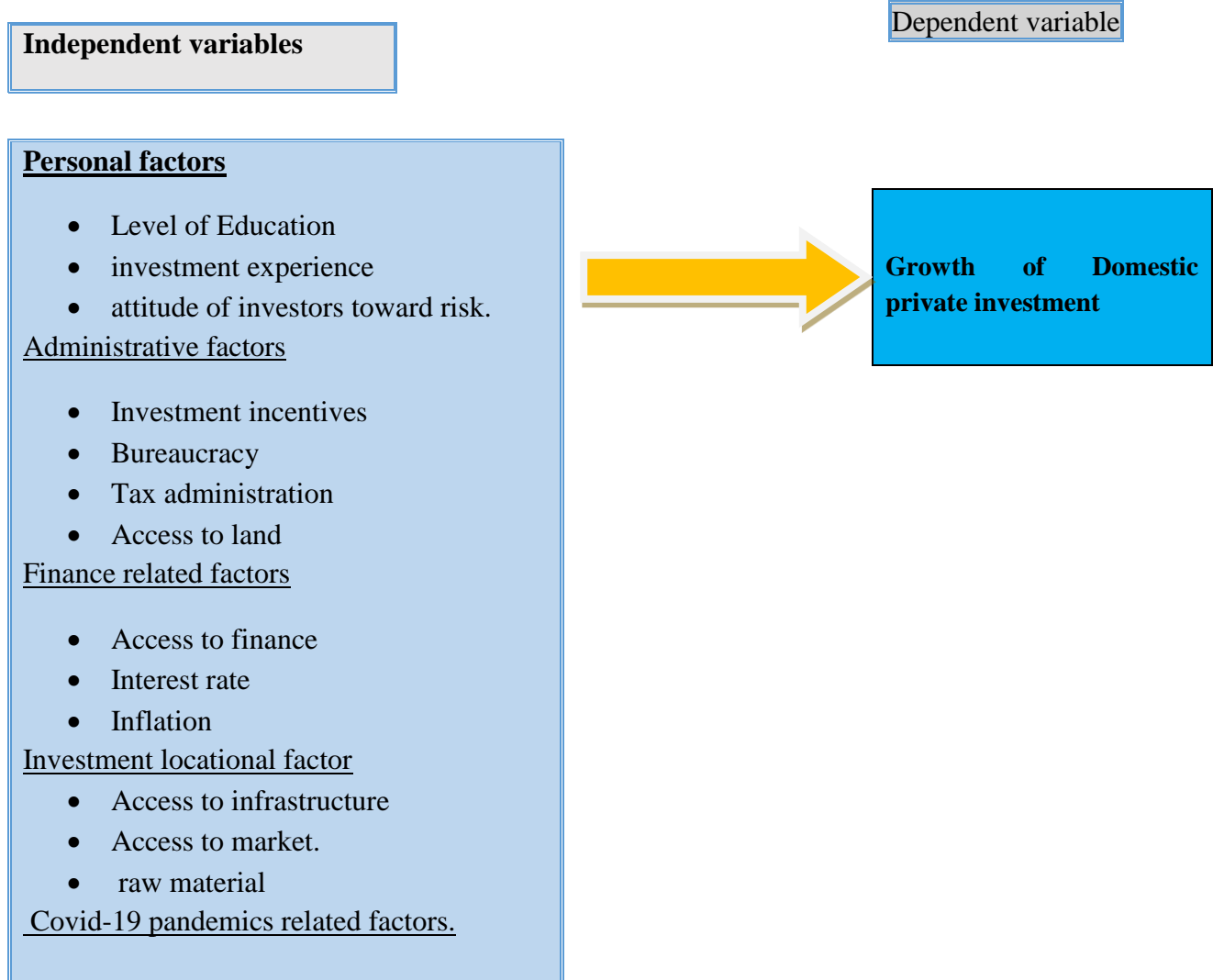
According to the above empirical findings and the theoretical literature review, the researcher concluded that the personal, administrative, financial, locational and covid-19 related factors are determinants of growth of domestic private investment. There are no comprehensive studies conducted in kaffa zone with respect to the determinants of growth of domestic private investment, besides, there is no study conducted with special focus on the covid-19 pandemics effects on growth of domestic private investment in the study area, which brought out new insight in the discipline.

Therefore, the study was intended to examine the determinants of growth of domestic private investment (by focusing on personal, administrative, finance, locational and covid-19 related factors) in kaffa zone.

2.4. Conceptual frame work.

The main determinant variables of private investment growth and levels in various research literatures were identified and majority of these studies make use of both microeconomic and macroeconomic independent variables. This research mainly focused on studying the major micro economic level determinants that are critical to determinants of private investment in kaffa zone. From the literature review above, the following schematic representation of the conceptual framework/model for this study was developed, which portrays the relationship between outcome and explanatory variables.

Figure 2.1. conceptual framework of the study



Source: -own construction (by taking empirical and theoretical review)

2.5. Operational Definition of Variables

2.5.1. Dependent variable

Domestic private investment growth. There is a little agreement in the existing literature on how to measure private investment growth, thus, most previous studies have used a variety of different measures such as total assets, sales, employment size, profit, capital, and others (Berkham et al., 1996; Davidsson & Wiklund, 2000; Holmes & Zimmer, 1994) as cited by (Abay, 2014). Moreover, growth has been measured in absolute or relative terms. Perhaps the most common means of firm growth is through relatively objective and measurable characteristics such as growth in sales turnover, total assets and employment size. These measures are relatively uncontroversial, the data tend to be easily available and it increases the scope for cross study comparability (Freel & Robson, 2004) as cited by (Tefera et al., 2013). But it is difficult to get reliable time series data on growth of fixed assets/sales (better indicator of growth) and business owners would be unable to report their sales or profits. In this study domestic private investment growth is assumed to be either growing or surviving (not growing). Hence the binary choice logistic regression model that assumes dichotomous dependent variable which takes either 1 or 0 value is used.

2.5.2. Independent variables

Level of education (levedu) is an ordinal variable and refers to the level of formal schooling that the investors had attended. Education broadens investors' intelligence and enables them to perform the activities intelligently, accurately and efficiently. Moreover, better educated investors tend to be more innovative and are therefore more likely to perform the activity. Education therefore is hypothesized to influence the probability of investment performance.

Investment experience: refers to the accumulation of investment knowledge or skill that results from direct participation in investment activity. Thus, investors were asked whether they have investment experience before starting the current business. with dummy variable where one for “yes” and zero for “no” answers

Attitude of the investors to risk: is the degree to which investors are perceiving about investment risk. The higher the risk is the higher the probability of gain from the investment and vice-versa. The investors were asked whether he/ she is risk lover, risk neutral or risk averse.

Investment incentive: an incentive as being any measurable advantage given to specific enterprises or categories of enterprises by (at the direction) of the government. Measured by five-point Likert scale questions. It is hypothesized that investment incentive would have positive influence on investment growth.

Access to land((accland): refers to the processes by which people individually or collectively gain rights and opportunities to occupy and utilize land. The use is primarily for productive purposes but also for other economic and social purposes and can be of a temporary or permanent nature. Thus, in this study, it is Measured by five-point Likert scale questions.

Bureaucratic red tape(bureta): Bureaucratic red tape refers to the existence of complicated rules and procedures which can cause delay on the execution of activities. This variable refers to the respondents' perception towards bureaucratic procedures of government organizations. Here the respondents were asked the effect of bureaucratic procedure of delaying in investment license, bank loan and utilities. Thus, in this study, five-point Likert scale was used

Access to finance: is the most important factor to increase performance of investors. It is Measured by five-point Likert scale questions. It is hypothesized that access to credit would have positive influence on investment growth

Interest rate (intrat): most of the time private investors are affected by the amount of interest rate. Thus, in this study it is Measured by five-point Likert scale questions. However, this variable is hypothesized to have a negative effect on private investment activity performance. Access

Inflation (infln): is the rising price of goods and services over time and general increase in prices and fall in the purchasing value of money. Increase in inflation leads to decrease in purchasing power of the consumers, this in turn leads to reduction in volume of production because the producers expect reduction in demand as a result of inflation. Inflation as measured by the consumer price index (CPI) reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. Measured by five-point Likert scale questions

Access to market and raw material. (Accmakt) This factor consists of availability of market and raw material, and favorable market competitions; it is Measured by five-point Likert scale questions in this study, market access is hypothesized to have positive influence on the performance of investors.

Infrastructure facility(infra): This refers to whether the investor experienced a challenge to promote its investment operation because of the lack of access to infrastructure facilities or not by using five-point Likert scale questions. Besides it was measured by road, water supply, electric power supply, health service, education service and telephone service, etc.

Covid-19 pandemics. (covid) Refers to the unprecedented pandemics emerged from corona virus. Thus, in this study it is measured by factors like interruption in raw material supply, shortage of workers, shortage of working capital, increasing operational cost, and declined. In consumers consumption. and it was measured by five-point Likert scale.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the framework for the analysis of determinants of domestic private investment in kaffa zone. Dawson, (2002) wrote that, a research methodology provides a framework or a blueprint for conducting a research. Various techniques and methods were used in examining the determinants of domestic private investment in Ethiopia. The aim of this chapter is therefore to provide arguments for the approaches that the researcher adopts in gathering and in the treatment of the data in order to answer the research questions and objectives. This chapter deals with research design, source of data, sample and sampling techniques, instruments of data collection and Method of data analysis and presentation. These are presented below in detail.

3.2. Research design

This study is explanatory and descriptive research type by its nature. Explanatory research looks for causes and reasons and provides evidence to support or disprove an explanation or prediction (Grey, 2014). It is conducted to discover and report some relationships among different aspects of the phenomenon under study. The study uses explanatory research design that assists the researcher to analyze the relationship between the independent variable (financial factors, administrative factors and personal factors and locational factors) and the dependent variable (domestic private investment). besides, descriptive research design was employed in order to analyze the data through descriptive statics and to analyze qualitative data obtained through interview. The researcher was used a cross sectional survey method to collect the necessary data on specified variables for the study.

3.3. Source of data

In order to obtain the necessary data from the target respondent the researcher uses both primary and secondary source of data. The primary sources of data were selected investors and from kaffa zone investment office, Whereas. Secondary sources of data were various sources like

written documents, journals, internet, and organizational records and some other observed materials.

3.4. Data collection techniques.

Data collection design is an explanation of the instruments and ways to be used for collecting the data including who will collect the data, when will it be collected and how it is collected. For this study, cluster sample survey was used to determine the target respondents and to collect the required information. Sample is chosen because it can save time and money, and it can provide accurate information if it is carefully selected. Concerning to primary data collection method the researcher uses questioner to obtain information from investors who are included in the cluster sample. The questioners were developed in the form of both open-end and close-ended questions. Besides, to obtain primary data from investment office of the zone, semi structured interview method was employed. The secondary data were collected from different document of the domestic investment sector, in addition to this the various literatures related to investment was explored.

VARIABLE DISCRPTION OF THE STUDY

DEPENDENT VARIABLE

Growth of domestic private investment, was measured using dummy variable where “1” represents growing and “0” represents not growing.

INDEPENDENT VARIABLES

The following are dependent variables used in the study

Marital status, Level of Education, investment experience, attitude of investors toward risk, Investment incentives, Bureaucratic red tape, Tax administration, Access to land, Access to credit, Interest rate, Inflation, Access to infrastructure Access to market Distance to raw material and covid-19 pandemics.

Table 2.2 variables and their measurements

Variables	Measurement
Marital status	single, married, divorced or widowed.
Level of Education	Refers to the education level of respondents. It is an interval scale
investment experience	Measured by 5-point Likert scale
attitude of investors toward risk	Measured by risk averse, neutral and risk lover

Investment incentives	Measured by 5-point Likert scale
Bureaucratic red tape	5-point Likert scale, delay in loan, license and utilities
Tax administration	5-point Likert scale
Access to land	5-point Likert scale
Access to credit	5-point Likert scale
Interest rate	5-point Likert scale
Inflation	5-point Likert scale
Access to infrastructure	5-point Likert scale
Access to market	5-point Likert scale
Distance to raw material	5-point Likert scale
Covid 19	5-point Likert scale

3.5. population, sample size and sampling techniques

Population is the whole groups of individuals, phenomenon, or things that the research aims to generalize results on. In this study the target population is defined as domestic private investors operating in kaffa zone.

Special types of cluster sampling, which is area sampling was used to take the target participants of the study. Because of time and budget limitation, it is quite difficult to move and collect data from all the dispersed woredas existing in the zone. There are twelve woredas administration in the zone namely: - Ginbo, Chena, Cheta, Bonga, Sayilem, Shishinda, Telo, Gesha, Bitu, Gewata, Decha and Goba. From thus clusters the researcher randomly selects six woreda by using simple random sampling technique. Based on this assertion investors in Bonga woreda, having total of (25) investment projects, Ginbo having total of (47) investment projects, Shishinda having total of (30) investment projects, decha having total of (20) investment projects, Tello having total of (14) investment projects and Bitu having total of (40) investment projects were selected as a participants of the study. Accordingly, the total participants of this study were all investors found in the five selected woredas (Bonga, shishinda, decha Gimbo and Bitu) of kaffa zone which are total of 138 investment firms.

3.6. Method of data analysis and presentation.

After collecting the data through the stated techniques, the researcher organizes and prepare the collected data for analysis and presentation. Moreover, in order to ensure logical competence and consistency of responses, data editing was carried out each day by the researcher. Identified mistakes and data gaps were rectified as soon as possible. Once editing has done, data was

analyzed qualitatively and quantitatively. The data analysis was done by the use of version 26-SPSS software. Descriptive data were analyzed by descriptive statistics like mean, median, mode, variance and standard deviation. Binary Logistic regression model was used to examine the relationship between the dependent variable and the predictor variables (independent variable). Because of the categorical nature of dependent variable, Logistic regression (sometimes called the logistic model or logit model) is used for prediction of the probability of occurrence of an event by fitting data to a logit function logistic curve, because it is useful when the dependent variables are measured by categorical value. Like many forms of regression analysis, it makes use of several predictor variables that may be either numerical or categorical. (Singh, 2016). Tables, chart and figures were used in order to present the analyzed data in an easily understandable way.

3.7. Pre-Regression Estimation.

The researcher opts to implements binary logistic regression models (logit), because of the dichotomous nature of the outcome of dependent variable, which is measured as growing or not growing. The model helps to predict the probability of dependent variable (growth of domestic private investment) occurring given known values of predicting variables. predictor variables of interest in this model are personal factors, administrative factors, finance related factors, location factors and covid-19 pandemics. Consequently, empirical model of the study assumes that growth of domestic private investment is linear to: marital status, level of education, attitude of investors towards risk, investment incentive, bureaucratic red tape, tax administration, access to land, access to credit, interest rate of borrowing, inflation, access to market, access to infrastructure, distance from raw material, and COVID-19. Based on this, relationship is assumed to be linear and used survey data set all 138 firms registered by kaffa zone investment bureau. Specifically, the basic logistic model formula employed to estimate domestic private investment growth:

$$Y = \beta_0 + \beta_1 \times X_1 + \beta_2 \times X_2 + \beta_3 \times X_3 + \beta_4 \times X_4 + \beta_5 \times X_5 + \beta_6 \times X_6 + \beta_7 \times X_7 + \beta_8 \times X_8 + \beta_9 \times X_9 + \beta_{10} \times X_{10} + \beta_{11} \times X_{11} + \beta_{12} \times X_{12} + \beta_{13} \times X_{13}$$

Where, (y) is dependent variable, β_0 is intercept (constant), β is coefficient attached to predictor

(independent) variables

X1 is level of education

X2 is investment experience

X3 is attitude of investors toward risk

X4 Investment incentive

X5 is bureaucratic red tape

X6 is tax administration

X7 is access to land

X8 is access to credit

X9 is interest rate of loan

X10 Is inflation

X11 is access to market

X12 Is assess to infrastructure

X13 is covid-19 pandemics

3.8. reliability and validity test.

Reliability test

One of the methods to estimate the reliability of the scores on a test or measurements is Cornbach's coefficients alpha method. Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. 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. Accordingly, the reliability measures of each of the major variables are presented in the following table to ease the process of the data analysis.

Table 3.1 Reliability Statistics

	Cronbach's Alpha	Number of items
Investment incentive	.861	7
Bureaucratic red tap	.806	8
Tax administration	.723	6
Access to land	.896	5
Access to finance	.862	5
Inflation	.892	5
Access to infrastructure	.732	7
Access to market	.726	5
raw material	.762	7
Covid-19	.721	10

Thus, as shown in table 3.1 the reliability of the scores was evident by strong Cronbach's alpha coefficients for all variables, which used as independent and dependent variables of the study. The Cronbach's alpha ranged from 0.721 to 0.803, indicating that items are highly reliable to measure the variables they are expected to measure.

Validity test

The validity is essential in research data collection to determine the right result of the study. An instrument is said to be valid if it is able to measure what has to be measured. In this study content validity test was tested. The questioner is well examined and commented by the advisors, besides the researcher has conducted pre- data collection test by distributing questioner for ten percent of sample to make sure the instrument is the right measurement of the stated variables.

3.9. Ethical Consideration

All the research participants that would be included in this study were appropriately informed about the purpose of the research and their willingness and consent were secured before the beginning of distributing questionnaire. Regarding the right to privacy of the respondents, the researcher maintains the confidentiality of the identity of each participant. Their privacy, identity and confidentiality were maintained by assigning them code numbers instead of names. The completed questionnaires were filed safely and accessible only to the researcher and thesis advisor. In all cases, names are kept confidential thus collective names like "respondents" was used.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1. Introduction

In this chapter the collected data were analyzed and interpreted; the analyzed and interpreted data was presented and discussed. It includes, background of the respondent through frequency distribution and percentage, Descriptive analysis which was made through descriptive statistics, Inferential analysis of data collected through questioner and qualitative analysis of information obtained from the investment office by interview. Accordingly, the researcher distributed a total of 138 questionnaires to each investor. Out of the total of 138 questionnaires, 6 (4%) of questionnaires were not collected and 132 useable questionnaires were obtained to enable a meaningful analysis of the data with 96% response rate. Statistical Package for Social Sciences (SPSS version 26) software was used to analyze the research findings.

4.2. general background of respondents.

Table 4.1 Demographic characteristics of the respondents

Variable	Category of variable	Frequency	Percent	Valid percent
Sex	Male	100	75.8	75.8
	Female	32	24.2	24.2
	Total	132	100.0	100.0
Age	26 to 40 years	57	43.2	43.2
	41 to 55 years	61	46.2	46.2
	above 55 years	14	10.6	10.6
	Total	132	100.0	100.0
Marital status	Single	35	26.5	26.5
	Married	83	62.9	62.9
	Divorced	10	7.6	7.6
	Widowed	4	3.0	3.0
	Total	132	100.0	100.0
Sector	Agriculture	73	55.3	55.3
	Industry	28	21.2	21.2
	Service	31	23.5	23.5
	Total	132	100.0	100.0
Source of capital	Own saving	48	36.4	36.4
	Bank loan	57	43.2	43.2
	loan from Omo micro finance	14	10.6	10.6
	loan from others lenders	13	9.8	9.8
	Total	132	100.0	100.0

Source: - survey result, 2021

Table 4.1 above depicts Demographic characteristics of the respondents. It presents data on gender of respondents. It shows that the male respondents are 100 representing 75.8%, while 32 respondents were female representing 24.2 %. From this majority of the sample respondents were male.

The other one is age group of the respondent. Table 4.1 above shows that majority 61 (46.2%) of respondents are in the age category of between 41 to 55 years old, 57 (43.2 %) are in the age category of 26 to 40 years and the remaining 14(10.6%) are above 55 years. This indicates that investment decision is significantly made as people get aged. From this it can be concluded that majority of investors in kaffa zone are in adult age.

Table 4.1. also presents the marital status of the respondents. accordingly, majority of the respondents are married which constitute 83 (62.9%) of the respondents, next to this 26.5 % (35) of respondents are single and the remaining 10 (7.6%) and 4 (3%) are divorced and widowed respectively. By This it can be concluded that majority of investors in kaffa zone are married. Previous studies show that investors who are couple has the probability of growing as result of shared responsibility.

The table also shows that sectorial composition of investment firms in the zone. Majority of investment firms are operating in agriculture. The leading sector in the zone is agriculture which constitute 73(55.3 %) of the respondents. Service sector follows the agricultural sector with 31 (23.5%) and the remaining 28 (21.2%) are industry. From the information above it is possible to conclude that agriculture is the dominant sector in the area. This imply that their domination of agricultural sector in the area which reduce the sectorial composition of economy in the area.

Finally, it describes about the source of startup capital for the investment firms of the sample respondents. Accordingly, 57(43.2%) of respondents acquires their capital through bank loan, 48(36.4%) are by their own saving and the remaining 10% and 9.8% of respondents financed through loan from Omo microfinance and loan from other lenders respectively. From this it can be concluded that majority of investors acquired their startup capital from bank loan.

4.3. Descriptive Statistics

Table 4.2. Descriptive Statistics of personal factors

Variables	category	Frequency	Percent	Valid %	Cumulative %
Level of education	Primary school	31	23.5	23.5	23.5
	secondary school	62	47.0	47.0	70.5
	college diploma	26	19.7	19.7	90.2
	1st Degree and above	13	9.8	9.8	100.0
	Total	132	100.0	100.0	
Investment Experience	No	93	70.5	70.5	70.5
	Yes	39	29.5	29.5	100.0
	Total	132	100.0	100.0	
Attitude To risk	risk lover	66	50.0	50.0	50.0
	Neutral	32	24.2	24.2	74.2
	risk averse	34	25.8	25.8	100.0
	Total	132	100.0	100.0	

Source: - survey result, 2021

Table 4.2 contains the descriptive statistics of personal factors such as level of education, investment Experience and attitude of investors toward risk. From this table 62(47%) of respondent's educational level is secondary school, 31(23.5%) of respondent's level education is primary school, 26(19.7%) of respondents have college diploma and the remaining 13 (9.8%) are first degree and above. This shows that majority of respondent's educational status is below secondary school. An increase in academic qualification results in a positive effect on investment growth.

Table 4.2. above also shows the response to the question that whether they have investment experience before starting the current business. From the table 70.5 % responds that they do not have investment experience before starting the current business and the remaining 29.5% have investment experience. It can be concluded that majority of respondents have no investment experience. The implication is that lack of investment experience would restrain the growth of investment in kaffa zone.

Descriptive statistics of attitude of investors toward investment risk is depicted on table 4.2. above. Thus, 50% of respondents are risk lover, 25% are risk averse and 24 % of respondents are

neutral. Accordingly, majority of respondents are risk lover. This implies that the higher the risk they take the higher the probability of getting return from their investment.

4.3.2 descriptive of administrative factors

Table 4.3. Descriptive Statistics of administrative factors

Variables	Category	N	Mean	Std. Deviation
investment incentives	There is Adequate incentive from government	132	2.2803	.95161
	There is incentive of Income tax holiday	132	2.0758	.87911
	There is incentive of Duty-free import of machine and equipment.	132	2.0758	.92151
	There is incentive of access to bank loan	132	2.2197	1.14128
	There is Fast track approval of process.	132	2.2045	.95501
	There is seed capital incentive.	132	2.1212	.93311
	There is activity of making the area suitable investment climate	132	2.5758	1.13327
	Valid N (listwise)	132		
bureaucratic red tap	There is bureaucratic red tap	132	4.0152	1.34212
	There is delay in getting investment license	132	3.8182	.94762
	There is delay in getting bank loan	132	3.9318	.99766
	There is delay in accessing utilities	132	4.0000	.85605
	There is Delay in policy implementation	132	3.7121	1.07384
	There is Corruption in granting of investment license	132	3.4621	1.20688
	There is Policy distortion and rent seeking	132	3.4545	1.29216
	There is operational inefficiency in government institutions	132	3.8030	1.08028
	Valid N (listwise)	132		
Tax administration	There is favorable tax policy and regulation	132	3.0227	1.13559
	Tax levied on may business is reasonable	132	2.5833	1.02668
	There is no favoritism on estimation of income tax	132	2.5985	1.13150
	business regulations are applicable in appropriate way	132	2.7348	1.00274
	Adequate time is allotted to pay tax	132	2.7879	1.26630
	There is efficient tax administration system.	132	2.5227	1.19455
	Valid N (listwise)	132		
Access to land	Land is easily accessible for my business.	132	2.9470	1.36093
	There is no bureaucratic procedure to acquire land	132	2.6212	1.36773
	land lease price is reasonable	132	2.8409	1.96469
	I have not encountered any problem while securing land for investment	132	2.7424	1.25778
	Easy to get land at suitable location	132	2.8939	1.30914
	Valid N (listwise)	132		

Source survey result, 2021

Table 4.3 contains the descriptive statistics of administrative factors including investment incentives, bureaucratic red tape, tax administration and access to land. The first variable in this table is investment incentives given from government to encourage the investors. The respondents are asked about the adequacy of incentive which has (M=2.28) and (SD=0.95), income tax holiday (M=2.07) and (SD=0.87), duty free import of machine (M=2.07) and (SD=0.92), access to bank loan (M=2.21) and (SD=0.14), fast track approval of process (M=2.220) and (SD=0.95), and activity of making the area suitable for investment (M=2.25) and (SD=1.13), accordingly, the mean value of response from the respondents for every item in the table is nearly 2, in which they are disagree with adequacy of investment incentives given from the government. From this it can be concluded that there is no adequate incentive given by the government to encourage the investors. any measurable advantage given to specific enterprises or categories of enterprises by (at the direction) of the government can encourage the firms. Studies shows that low encouragement from the investment offices are the major factor that discourage the growth of investment. This implies that absence of support or incentive to motivate investment firms discourage the firms to invest more in the area.

Table 4.3 also contains an item concerning with bureaucratic red tape. including delay in getting investment license with (M= 3.818) and (SD= 0.947), delay in getting bank loan (M= 3.938) and (SD= 0.997), delay in accessing utilities (M= 4.00) and (SD= 0.856), delay in policy implementation (M= 3.712) and (SD= 1.073), asking for corruption in granting investment license (M= 3.462) and (SD= 1.206), policy distortion and rent seeking (M= 3.454) and (SD= 1.292) and operational inefficiency of governmental institutions (M= 3.80) and (SD= 1.08). from the mean value of bureaucratic red tape is nearly 4 in which the respondents agree with the item stated in the table. This imply that the existence of complicated rules and procedures are creating delay on the execution of activities

Table 4.3 depicts items about tax administration, including favorable tax policy and regulation (M=3.022) and (SD=1.135), reasonableness of tax levied on business (M=2.583) and (SD=1.026), favoritism on estimating income tax (M=2.598) and (SD=1.131), adequacy of time allotted to pay tax (M=2.787) and (SD=1.266), and efficiency of tax administration system (M=2.522) and (SD=1.194). from this the mean value of tax administration is nearly 2, in

which respondents disagree on the items. this implies that tax administration is unfavorable for investment firms in the area.

Table 4.3 depicts mean value and standard deviation of access to land in the zone, items included are presence of bureaucratic procedure to acquire land (M=2.621) and (SD= 1.367), reasonableness of land lease price (M=2.840) and (SD= 1.964), problem encountered while securing land for investment (M=2.742) and (SD= 1.257), ease of getting land at suitable location (M=2.893) and (SD= 1.309). The mean score of items in the access to land is between 2 and 3, in which their response ranges from disagree to neutral. This implies that access to suitable land in the area is very difficult which restrain the growth of investment firms in the area.

4.3.3 Descriptive Statics of Financial Factors

Table 4.4 Descriptive Statistics of financial factors

VARIABLES	Variable category	N	Mean	Std. Deviation
Access to finance	There are adequate credit institutions	132	2.8712	1.18131
	Adequate Amount of credit is allowed for investors	132	2.4242	1.01230
	Loan application procedures of banks and other lending institutions is not complicated	132	2.2197	1.04344
	Low collateral requirement from banks and other lending institutions.	132	2.1515	.84243
	Valid N (listwise)	132		
Inflation	Inflation rate is affecting my business	132	4.2045	.81717
	inflation is reducing demand of my product/ service	132	4.1742	.82422
	interest rate is affecting my business	132	4.1742	.77653
	interest rate charged by banks and other lending institutions is high	132	4.3485	4.03039
	inflation is affecting the growth of my business	132	4.9318	5.67194
	Valid N (listwise)	132		

Source: - survey result,2021

Table 4.4. contains Descriptive Statistics of financial factors, including access to finance and inflation. items related with access to finance. which include adequacy of credit institutions with (M=2.871) and (SD=1.181), adequacy of credit amount allowed for investors with (M=2.424) and (SD=1.012), loan application procedures of banks and other lending institution is not

complicated with mean score of (M=2.219) and (SD=1.043), and collateral requirement from banks and other lending institutions (M=2.151) and (SD=0.842). the average result of access to finance is nearly 2, which is disagree with the issue. From this it can be concluded that there is no access to finance in kaffa zone. This implies that inaccessibility of finance is affecting the growth of domestic private investment of kaffa zone.

Table 4.4. above also depicts an item related with inflation. it includes interest rate charged by banks and other lending institutions is high with (M=4.348), and (SD=4.030), interest rate is affecting my business has (M=4.174), and (SD=0.776), Inflation rate is affecting my business has (M=4.4.204), and (SD=0.8171), inflation is reducing demand of my product/ service has (M=4.174), and (SD=0.824), inflation is affecting the growth of my business has (M=4.931), and (SD=5.671). The mean score of all item is above four in which the agree with the effect of inflation on their business. this from this it can be concluded that inflation is affecting the growth of investment.

4.3.4 descriptive statics of locational factors.

Table 4.5. Descriptive Statistics of locational factors

Variables	Variable category	N	Mean	Std. Deviation
Infrastructure	Poor road infrastructure.	132	4.3636	.51352
	Poor electricity supply.	132	4.3030	.59179
	Insufficient and interrupted water supply	132	4.2576	.64938
	inadequate educational center	132	3.9394	.93087
	inadequate health center	132	3.8864	.94625
	Poor Telecommunication service and network	132	4.1439	.83923
	Valid N (listwise)	132		
Access to market	Inadequate market for product	132	2.9924	1.16236
	Searching new market is very difficult	132	3.1136	1.13681
	There is no established market network	132	3.1667	1.12002
	Valid N (listwise)	132		
Access to raw material	inadequacy of raw material for my business	132	3.341	1.1645
	Seasonal variation of price of raw materials	132	3.2727	1.19854
	Poor Quality of raw material for use	132	3.1288	1.18776
	Cost of acquiring raw material is high	132	3.4318	1.17994
	Valid N (listwise)	132		

Source: - survey result, 2021

Table 4.5. contains the Descriptive Statistics of locational factors including infrastructural facility, access to market and access to raw material. Concerning access to infrastructural facility, the mean score of Poor road infrastructure is (M= 4.36) and (SD=0.513), the mean score of Poor electricity supply is (M= 4.303) and (SD=0.5917), the mean score of Insufficient and interrupted water supply is (M= 4.257) and (SD=0.649), the mean score of inadequate educational center is (M= 3.939) and (SD=0.930), the mean value of inadequate health center is (M= 3.886) and (SD=0.946), and the mean value of Poor Telecommunication service and network is (M= 4.143) and (SD=0.839), the result of all items in infrastructural facility is around 4, in which they agree in poor infrastructural facilities like road, water supply, electric power supply health center, education center and telecommunication network. It implies that shortage of infrastructural facilities in the area deterring the growth of investment firms in the area. The results of different studies by (Dash, 2016) , Seruvatu & Jayaraman, (2001) and others support the finding that the infrastructural facility has significant positive effect on the growth of private investment,

Table 4.5 above contains item on access to market and raw material. The mean score of Inadequate market for product is 2.99, the mean score of difficulty of searching new market is 3.11 there is no established market network has mean value of 3.1, inadequacy of raw material business has mean value of 3.2 , Seasonal variation of price of raw materials has mean score of 3.2, Poor Quality of raw material for use has mean score of 3.12, and the mean score for the Cost of acquiring raw material is 3.4. from this the average score of access to market and raw material is around 3, in which the respondents are neutral for the issue.

4.3.5. descriptive statics of covid-19

Table 4.6. Descriptive statistics of covid-19

Descriptive statistics			
	N	Mean	Std. Deviation
Due to covid-19 pandemics raw material supply stopped	132	3.8030	.87753
Due to covid-19 pandemics shortage of worker happened	132	3.8333	1.02761
Due to covid-19 pandemics shortage of working capital is created	132	4.0758	.78751
Due to covid-19 pandemics our operational cost is increased	132	4.1515	.73604
Due to covid-19 pandemics consumers consumption declined	132	4.0682	.87539
Government bodies has not been supporting us to minimize the adverse effect of the pandemics.	132	4.2197	.71317
Tax reduction is not made to support the business to cop up from the pandemics	132	4.1136	.69511
Loan term extension is not made to support the business to cop up from the pandemics.	132	4.1970	.69281
due to covid-19 pandemics Your sales revenue is decreased.	132	4.0379	.78541
Valid N (listwise)	132		

Source: - survey result, 2021

Table 4.6. depicts about covid-19. Which includes due to covid-19 pandemics raw material supply stopped with (M= 3.803) and (SD= 0 .877), Due to covid-19 pandemics shortage of worker happened with (M= 33.833) and (SD=1.027), Due to covid-19 pandemics shortage of working capital is created with (M= 4.075) and (SD=0.787), Due to covid-19 pandemics our operational cost is increased with (M= 4.151) and (SD= 0.736), Due to covid-19 pandemics consumers consumption is declined with (M= 4.068) and (SD=.0.875), Government bodies has not been supporting us to minimize the adverse effect of the pandemics with (M= 4.219) and (SD=0.713),. Tax reduction is not made to support the business to cop up from the pandemics with (M= 4.113) and (SD=0.695), Loan term extension is not made to support the business to cop up from the pandemics with (M= 4.197) and (SD=0.692), due to covid-19 pandemics Your sales revenue is decreased with (M= 4.037) and (SD=0.785). this information shows that almost all of respondents agree that covid-19 pandemics has brought adverse effect on the growth of their business.

4.4 RESULTS OF INFERENTIAL ANALYSIS.

Binary logistic regression was employed to examine the determinants of growth of domestic private investment in Kaffa zone based on their personal, administrative, financial, locational and covid-19 related factors. The predictor variables were personal factors such as level of Education, investment experience and attitude of investors toward risk, administrative factors such as investment incentives, bureaucracy, tax administration and access to land, finance related factors such as access to finance, interest rate and inflation, investment locational factor such as access to infrastructure, access to market, access to raw material and covid-19 pandemics related factors.

The regression was run using the „natural log of odds“ as the link function as follows:

$$\ln\left(\frac{p}{1-p}\right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_p X_p + \varepsilon$$

Where, P is the probability for growing domestic private investment coded as “1”, 1-P is the probability of not growing domestic private investment coded as “0”.

Running the binary logistic regression using IBM SPSS version 26 provides the outputs presented as follows in six sections. The first section tests the assumptions of binary logistic regression. The second section presents the results of the logistic regression for personal factors, the third section presents the result of the logistic regression for administrative factors, the fourth section presents the result of the logistic regression for financial related factors, the fifth section presents the result of investment locational factor and the sixth section presents the results of the logistic regression for covid-19 pandemics related factors. The logistic regression estimated the marginal effects of each of the explanatory variables along with the respective statistical tests of significance.

4.4.1 Assumptions of binary logistic regression model

Basic assumptions that must be met for logistic regression include independence of errors, linearity in the logit for continuous variables, absence of multicollinearity, lack of strongly influential outliers and the outcome of dependent variable should be dichotomous (Stoltzfus, 2011).

1. Binary dependent variable

Binary logistic regression requires the outcome of dependent variable to be binary or dichotomous. Accordingly, the outcome of dependent variable for this study is the domestic private investment growth which was dichotomous and measured by growing and not growing. so, the assumption that the outcome of dependent variable to be dichotomous is satisfied by this study.

2. Absence of multicollinearity

A logistic regression model with highly correlated independent variables will usually result in large standard errors for the estimated beta coefficients (or slopes) of these variables. Even though logistic regression does not make many of the assumptions unlike linear regression, multi-collinearity if any can still be a problem. Field, (2009) noted that logistic regression result can be biased due to the effect of collinearity among the predictor variables. Hence it is essential to make sure that there is no strong collinearity among the predictor variables. The SPSS does not have option for testing multicollinearity for logistic regression. However, Field, (2009) suggested that it is possible to obtain statistics such as the tolerance and Variance inflation factor (VIF) by simply running a linear regression analysis using the same outcome and predictors. It is due to the fact that tests of multicollinearity examine only the explanatory variables; hence they are independent of the type of regression model employed. Multicollinearity was diagnosed through such procedure.

To diagnose the presence of multicollinearity in the logit model the tolerance test or variance inflecting factor (VIF) was performed it shows how much of the variability of the specified independent variable is not explained by the other independent variables in the model. Table 4.1A, 4.2A, 4.3A, and 4.4A in the appendix shows all the observed tolerance values are greater than 0.10, or the mean of VIF are less than 10 indicating that there is no problem of multicollinearity in the logistic regression model.

3. Large sample size

there should be an acceptable number of events per independent variable to avoid an overfit model, with commonly recommended minimum “rules of thumb” ranging from 10 to 20 events

per covariate. In this study the sample size much greater than expected and it met the requirement of large sample size for the study.

4.4.2. BINARY LOGISTIC REGRESSION OUTPUTS

This section presents the econometric result of the relationship between the explanatory variables and the outcome variable. to this end the Hosmer and Lemeshow Test for each factor, model summery, and binary logistic regression result is presented sequentially. The results also be presented in five separate sections by stating each factor under consideration.

4.4.2.1. Association between the personal factors and growth of domestic private investment

Table 4.7: Hosmer and Lemeshow Test for personal factors

Step	Chi-square	Df	Sig.
1	4.490	8	.810

This test helps to assess the fit of a logistic model against actual outcome. The result shown in Table 4.7, supports the model being worthwhile. For the Hosmer and Lemeshow test, poor model fit is indicated by a significance value less than 0.05. To support the study model, the value must be greater than 0.05. In this test, the chi-square value of 4.490 and p-value of 0.810 implies that the model is a good fit. Higher p-values indicate that the null hypothesis stating the model best fits the data “ shouldn’t be rejected. Hence, it is possible to conclude that the model is fits the data well, since the p-value of the Hosmer and Lemeshow Test is much higher than 5% level of significance.

Table 4.8: Model summary of personal factors

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	161.315 ^a	.432	.577

Table 4.8 show another piece of information about the usefulness of the model. The Cox & Snell R Square and Nagelkerke R Square values provide an indication of the amount of variation in the dependent variable explained by the model (from the minimum level 0 to a maximum of approximately 1). In this case, the two values are 0.432 and 0.577. The model as a whole 43.2%

(Cox & Snell R Square) and 57.7% (Nagelkerke R Square) of growth of domestic private investment was explained by personal factors.

Table 4.9: regression results for personal factors

Personal factors	B	S.E.	Wald	Df	Sig.	Exp(B)
Edu (Primary school)			9.23	3	.026	
Edu (Secondary school)	.588	.511	1.32	1	.250	1.801
Edu (College diploma)	1.463	.589	6.17	1	.013*	4.321
Edu (1 st Degree and above)	1.772	.763	5.39	1	.020*	5.881
Investment experience (Yes)	.896	.418	4.60	1	.032*	2.450
Attitude toward investment risk (Risk lover)			.598	2	.742	
Attitude toward investment risk (Neutral)	.357	.472	.571	1	.450	1.429
Attitude toward investment risk (risk averse)	.189	.470	.162	1	.687	1.209
Constant	-1.470	.491	8.96	1	.003	.230

*indicates significance

Table 4.9 shows the regression results for personal factors. The results revealed that education, and investment experience have statistically significant difference in growth of domestic private investment, but attitude toward investment risk is not statistically significant effect on the growth of domestic private investment at 5% level of significance. The beta coefficient of education and investment experience are positive and significant; indicating odds educated domestic private investors (Diploma and above) have higher growth of domestic private investment than that of primary educated domestic private investors. In other words, the probability of growth of domestic private investment is higher for educated domestic private investors than that of primary school educators.

The odds ratio for investment experience indicates that, ceteris paribus, having investment experience is 2.45 times more likely to grow the domestic private investment than without investment experience. In general, higher levels of education and investment experience have a positive effect on domestic private investment growth of kaffa zone. investor's educational qualification affects the ability to choose between different investment type and overall it affects the investment decision. This is to mean that an increase in educational level of investors may lead to an increase of better decisions to be made. Other variable such as attitude toward investment risk has insignificant effect on domestic private investment. Following this result,

education and investment experience are statistically significant determinants of domestic private investment growth in Kaffa zone.

4.4.2.2. Association between the administrative factors and growth of domestic private investment

Table 4.10: Hosmer and Lemeshow Test for administrative factors

Step	Chi-square	Df	Sig.
1	9.646	6	.140

The result in Table 4.10, shows the Hosmer and Lemeshow test. Hosmer and Lemeshow test result the model is a good fit. Since the chi-square value of 9.646 and p-value of 0.140 implies that the model is a good fit. Hence, it is possible to conclude that the model is fits the data well, since the p-value of the Hosmer and Lemeshow Test is much higher than 5% level of significance.

Table 4.11: Model summary of administrative factors

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	125.347 ^a	.339	.455

Table 4.11 show another piece of information about the usefulness of the model. The Cox & Snell R Square and Nagelkerke R Square values provide an indication of the amount of variation in the dependent variable explained by the model (from the minimum level 0 to a maximum of approximately 1). In this case, the two values are .339 and 0.455. The model as a whole 33.9% (Cox & Snell R Square) and 45.5% (Nagelkerke R Square) of growth of domestic private investment was explained by administrative factors.

Table 4.12: regression results for administrative factors

Administrative factors	B	S.E.	Wald	df	Sig.	Exp(B)
Investment incentive (Good)	2.821	.654	18.584	1	.000*	16.794
Bureaucratic red tape (Poor)	-.360	.528	.465	1	.495	.698
Tax administration (Poor)	.763	.502	2.311	1	.128	2.145
Access to land (Good)	2.286	.481	22.607	1	.000*	9.834
Constant	-2.504	.592	17.894	1	.000	.082

*indicates significance

Table 4.12 shows the regression results for administrative factors. The results revealed that investment incentive, and accesses to land have statistically significant difference in growth of domestic private investment, but bureaucratic red tape, and tax administration are not statistically significant difference in the growth of domestic private investment at 5% level of significance.

The beta coefficient of investment incentive and access to land are positive and significant; indicating that the good level of investment incentive practice and access to land in the zone was positively affecting the growth of domestic private investment in Kaffa zone. Such access to land and investment incentives obviously create conducive investment climate for the private investment. Other variables such as tax administration and bureaucratic red tape have no significant effect on the growth of domestic private investment in kaffa zone.

4.4.2.3. Association between the financial related factors and growth of domestic private investment

Table 4.13: Hosmer and Lemeshow Test for financial related factors

Step	Chi-square	Df	Sig.
1	1.391	2	.499

The result in Table 4.13 shows the Hosmer and Lemeshow test. Hosmer and Lemeshow test result the model is a good fit. Since the chi-square value of 1.391 and p-value of 0.499 implies that the model is a good fit. Hence, it is possible to conclude that the model is fits the data well, since the p-value of the Hosmer and Lemeshow Test is much higher than 5% level of significance.

Table 4.14: Model summary of financial related factors

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	134.214 ^a	.293	.393

Table 4.14 show another piece of information about the usefulness of the model. The Cox & Snell R Square and Nagelkerke R Square values provide an indication of the amount of variation in the dependent variable explained by the model (from the minimum level 0 to a maximum of approximately 1). In this case, the two values are .293 and 0.393. The model as a whole 29.3% (Cox & Snell R Square) and 39.3% (Nagelkerke R Square) of growth of domestic private investment was explained by financial related factors.

Table 4.15: regression results of financial related factors

Financial factors	B	S.E.	Wald	df	Sig.	Exp(B)
Access to finance (Yes)	1.738	.590	8.684	1	.003*	5.684
Inflation (Yes)	-2.499	.676	13.668	1	.000*	.082
Constant	1.370	.654	4.388	1	.036	3.934

*indicates significance

Table 4.15 shows the regression results for finance related factors. The results revealed that access to finance and inflation are statistically significant difference in growth of domestic private investment at 5% level of significance.

The beta coefficient of access to finance is positive and significant; indicating that access to finance was a positively affecting the growth of domestic private investment in Kaffa zone, but the beta coefficient of inflation is negative and significant; indicating that inflation has a negative impact on domestic private investment growth in Kaffa zone.

4.4.2.4. Association between the investment locational factor and growth of domestic private investment.

Table 4.16: Hosmer and Lemeshow Test of investment locational factor

Step	Chi-square	Df	Sig.
1	.321	2	.852

The result in Table 4.16, shows the Hosmer and Lemeshow test. Hosmer and Lemeshow test result the model is a good fit. Since the chi-square value of .321 and p-value of 0.852 implies that the model is a good fit. Hence, it is possible to conclude that the model fits the data well, since the p-value of the Hosmer and Lemeshow Test is much higher than 5% level of significance.

Table 4.17: Model summary of investment locational factor

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	63.220 ^a	.587	.789

Table 4.17 show another piece of information about the usefulness of the model. The Cox & Snell R Square and Nagelkerke R Square values provide an indication of the amount of variation in the dependent variable explained by the model (from the minimum level 0 to a maximum of approximately 1). In this case, the two values are .587 and 0.789. The model as a whole 58.7% (Cox & Snell R Square) and 78.9% (Nagelkerke R Square) of growth of domestic private investment was explained by investment locational factor.

Table 4.18: regression results for investment locational factor

Investment locational factors	B	S.E.	Wald	df	Sig.	Exp(B)
Access to infrastructure (Yes)	4.535	.828	30.008	1	.000*	93.205
Access to market(yes)	1.642	.674	6.241	1	.006*	5.964
Access to raw material (Yes)	1.772	.683	6.733	1	.009*	5.884
Constant	-3.840	.757	25.696	1	.000	.022

*indicates significance

Table 4.18 shows the regression results for investment locational factors. The results revealed that access to infrastructure and access to market and access to raw material are statistically significant difference in growth of domestic private investment at 5% level of significance.

The beta coefficient of access to infrastructure is positive which is (4.535) and significant; indicating that it positively affects the growth of domestic private investment in kaffa zone. Likewise, the beta coefficient of access to market (1.642) and access to raw materials (1.772) are positive and significant; indicating that both of them positively affect the growth of domestic private investment in Kaffa zone. Finally, access to infrastructure, access to market and access to raw material are locational factor that significantly determine the growth of domestic private investment in kaffa zone

4.4.2.5 Association between the Covid-19 pandemics related factors and growth of domestic private investment

Table 4.19: Model summary of Covid-19 pandemics related factors

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	166.622 ^a	.096	.129

Table 4.19 show another piece of information about the usefulness of the model. The Cox & Snell R Square and Nagelkerke R Square values provide an indication of the amount of variation in the dependent variable explained by the model (from the minimum level 0 to a maximum of approximately 1). In this case, the two values are .096 and 0.129. The model as a whole 9.6% (Cox & Snell R Square) and 12.9% (Nagelkerke R Square) of growth of domestic private investment was explained by Covid-19 pandemics related factors.

Table 4.20: regression results of Covid-19 pandemics related factors

Covid-19	B	S.E.	Wald	df	Sig.	Exp(B)
Factors on covid-19 pandemics (Yes)	-1.320	.372	12.623	1	.000*	.267
Constant	.353	.256	1.901	1	.168	1.423

*indicates significance

Table 4.20 shows the logistic regression results for covid-19 pandemics related factors. The results revealed that Covid-19 pandemics related factors has statistically significant difference in growth of domestic private investment at 5% level of significance.

The beta coefficient of Covid-19 pandemics related factors is negative and significant; indicating that Covid-19 pandemics negatively affect the growth of domestic private investment in Kaffa zone. In case of this, zone investors had faced several problems related to Covid-19 pandemics related factors and this situation results in restraining investors from joining the business and expanding the existing business which results in a few numbers of projects existing and low competition in the sector.

4.5. DISCUSSION

The result from the survey conducted on investors in kaffa zone reveal that educational level and investment experience are personal factors significantly and positive determinants of domestic private investment growth in the area. And attitude of investors has insignificant deference on the growth of domestic private investment in kaffa zone. In a study done by (Tigist & Mekonnen, 2018), it was founded that level of education, and investment experience are personal factors which are significant determinants of private investment growth. Similarly finding of a study by Jain, (2019), educational level has significant and positive difference eon the growth of private investment. The results from this study seem consistent with previous studies done on similar subject. the expected hypothesis under personal factor were that:

***H1:** educational level is significant determinants of domestic private investment growth in kaffa zone.* The study found that educational level is significant and positive determinants of domestic private investment growth. Following this, the null hypothesis stated as education is not significant determinants of domestic private investment growth in kaffa zone is rejected.

***H2:** investment experience is significant determinants of domestic private investment growth in kaffa zone.* As a result, null hypothesis stated as investment experience is not significant determinants of domestic private investment growth in kaffa zone is rejected.

***H3:** Attitude of investors toward investment risk is significant determinants of domestic private investment growth of kaffa zone.* Following this null hypothesis stated as Attitude of investors

toward investment risk is not significant determinants of domestic private investment growth in kaffa zone is accepted.

The finding of this study also reveals that investment incentive and access to land are significant and positive determinants of domestic private investment growth. The result of different studies shows that the more investment incentives prepared by the government, the more private investment to be encouraged Lamartina and Zaghini, 2008; Alesina et al., 2008; Ghosh and Gregorious, 2008; Benos, 2009; Bakare, 2011; (Abbott and Jones, 2011; Szarowska, 2012; Teklebirhan and Sahlu 2014 bogale and wakatole 2019; megbaru 2018. Following this null hypothesis stated as investment incentives and access to land are not significant determinants of domestic private investment growth in kaffa zone is rejected. The result is supporting the finding of previous studies. This finding would contribute to zonal administrative structure to consider their incentive scheme structure and would pave the way to improve the investment climate in the area. The expected hypothesis under administrative factor were that:

H4: Investment incentive is statistically significant determinants of domestic private investment growth of kaffa zone. The finding shows that investment incentive is significant positive determinants of domestic private investment growth consequently, null hypothesis stated as Investment incentive is not statistically significant determinants of domestic private investment growth of kaffa zone is rejected.

H5: bureaucratic red tape is statistically significant determinants of domestic private investment growth of kaffa zone. the result of finding reveal that bureaucratic red tape has insignificant effect on domestic private investment growth, following this, null hypothesis stated as bureaucratic red tape is not statistically significant determinants of domestic private investment growth of kaffa zone is accepted.

H6: access to land is statistically significant determinants of domestic private investment growth of kaffa zone. Finding of this study proves that access to land has significant and positive difference on domestic private investment growth in kaffa zone. As a result, null hypothesis stated as access to land is not statistically significant determinants of domestic private investment growth of kaffa zone is rejected.

The finding of this study shows that access to finance has significant positive difference on domestic private investment growth in the area. Meaning that as the accessibility of finance like loan increase the probability of growth of investment firms also increase. The study made by (Muhammedhussen Batu, 2016), it was found that access to credit is significant and positive determinants of investment growth. Moreover, the study of Gofe, (2016) was founded that access to finance is significant contribution to growth of investment. This study also found that inflation has significant negative difference on domestic private investment growth in kaffa zone. The negative effect of inflation on the growth of private investment was confirmed by Jongwanich and Kohpaiboon (2008) and Knight and Ding (2009), Adugna (2013) high rates of inflation adversely affect private investment activity by increasing the cost of projects and decreasing the consumption level of the consumers. It also confirms with the result of study by Hailu (2013) that inflation has significant negative effect on private investment growth. As inflation is macroeconomic variable it has a nation-wide effect on the growth of private investment. The increasing rate of inflation in the zone was observed by restraining investors from diversifying their business who are willing for it, which results in the existence of few projects and low competition. Following this the null hypothesis stated as access to finance and inflation are not significant determinants of domestic private investment growth in kaffa zone is rejected. The expected hypothesis under financial factor were that:

H7: Access to finance is statistically significant determinants of domestic private investment growth of kaffa zone. The study result show that Access to finance is statistically significant and positive determinants of domestic private investment growth of kaffa zone, as a result null hypothesis stated as Access to finance is not statistically significant determinants of domestic private investment growth of kaffa zone is rejected.

H8: interest rate on loan is statistically significant determinants of domestic private investment growth of kaffa zone. The result of this study reveals that interest rate on loan is statistically insignificant determinants of domestic private investment growth. As a result, null hypothesis is accepted.

H9: inflation is statistically significant determinants of domestic private investment growth of kaffa zone. a result of this study shows that inflation is statistically significant and negative

determinants of domestic private investment growth of kaffa zone, following this result a null hypothesis stated as inflation is not statistically significant determinants of domestic private investment growth in kaffa zone is rejected.

The result of this study also reveals that infrastructural facility, access to market, and access to raw material are locational factors which have significant positive effect on growth of domestic private investment in kaffa zone. Mainly access to road is the major item that determine the growth of investment, as the majority of investments are agricultural investment it needs road to transport the product to market and it essentially reduces cost of delivering the products, similarly electric power supply, and water supply are dominant infrastructural issues that obviously determine the growth of service sector investment, as interrupted supply of water and electric power are major challenges for hotel and health center. The results of different studies validate this finding. according to Ambachewu (2016) infrastructural facilities has positive significant effect on growth of investment. A study made by Adugna (2013) revealed that public investments in basic infrastructures and social overheads are vital for private investment growth. another study by Mgbaru (2018) supports that infrastructural facility which include electricity, water supply, inadequate transport and communication system, unavailability of health and educational facilities are significant determinants of private investment growth.

Access to market and access to raw material are another significant determinant of domestic private investment growth. In the case of this, zone investors had faced several problems related to accessing market for their product and easy access to materials for their investment and this situation results in restraining the growth of investment firms in the area. According to Acemoglu (2009), Blanke et al. (2009), Kenzu (2012), and Mehabaw (2011), easy access to market and raw materials has a positive significant impact. In other word, easy access of those materials and market for investment boosts the growth of private investment while difficulties in their access restrain investors. The expected hypothesis under locational factor were that:

H10: *Access to infrastructure is statistically significant determinants of domestic private investment growth of kaffa zone.* The result of this study shows Access to infrastructure is statistically significant and positive determinants of domestic private investment growth in kaffa zone, following this null hypothesis of this variable is rejected.

H11: *Access to market is statistically significant determinants of domestic private investment growth of kaffa zone.* The finding of the study reveals that access to market is significant determinant of domestic private investment growth. As a result, the null hypothesis this variable also rejected.

H12: *Access to raw material is statistically significant determinants of domestic private investment growth of kaffa zone.* The finding of this study shows that Access to raw material is statistically significant determinants of domestic private investment growth of kaffa zone. Consequently, null hypothesis of access to raw material is rejected.

Finally, covid-19 pandemics has significant and negative difference on domestic private growth in kaffa zone. Following the pandemics, the order passed by the state to lockdown and travel restriction has brought obsolescence of perishable agricultural product; decline in consumption pattern of consumer; raw material supply stopped; Firms productivity was declined due to stress and frustration of employee as a result of the pandemics. Generally, the pandemics has causing a massive damage on national economy particularly on service sector. Therefore, covid-19 pandemics has significant negative effect on the growth of domestic private investment. Different studies (H.shen, M.fu, H.pan et al, 2020), Berecha, et al (2020), and Lemi et al., (2020) support that covid-19 pandemics has brought negative effect on the growth and performance of business firms, which can be described by reducing sales revenue and increasing cost of production. The expected hypothesis of covid-19 pandemics was that:

H13: *covid-19 pandemics is statistically significant determinants of domestic private investment growth of kaffa zone.* Finding of the study reveal that covid-19 pandemics has significant negative difference on domestic private investment growth in kaffa zone. As a result, the null hypothesis on covid-19 pandemics is rejected.

4.6. QUALITATIVE DATA ANALYSIS

4.6.1 the result of data gathered from interview with managers of investment office

In most studies, it is common to support quantitative data with the qualitative data. Similarly, in this study, the researcher tried to triangulate the qualitative information obtained through interview with the findings from the preceding quantitative data analysis. The interviews were carried out with the top-level officials of kaffa zone investment office. Thus, the interview made with managers of the investment office is due to the fact that this office has the duty and responsibility to give license, guide and monitor the performance of investment projects in the zone. So, conducting interview with these officials helped the researcher to triangulate the result with the information obtained from qualitative data and hence, to have good insight on factors determining investment growth in the zone.

According to the response of officer for question raised as what are the administrative factors that determine the growth of domestic private investment in kaffa zone? He replied that investment incentives or support, access to land and bureaucratic red tape are the administrative factor that obviously determine the growth of domestic private investment in kaffa zone. Incentives given to support investors in the form of loan from bank and provision of market for their goods/service, preparation of suitable land for diversification of their business, exemption of tax, and fast track approval of process are the most common form of incentives given to investors. And thus, support encourages investors to work hard in order to be productive in their business.

As per the information from the officer another determinant factor for growth of domestic private investment in kaffa zone is accessibility of suitable land for investment. “with regard to land we are closely working with zonal administration in identifying suitable land to respective business sector. With this majority of land coverage in the zone is suitable for agricultural sector especially for coffee plantation farm, crop production and animal husbandry. As there is massive lucrative land which are not yet been touched in the zone. And in addition to this we are inviting potential investors operating throughout the country to be beneficial of untouched investment potential of the zone”

regarding the bureaucratic red tape, the officer stated that before the establishment of zonal investment office at Bonga town, issues related with investment had been processed and

approved at regional level at Hawasa city, which takes more than months to facilitate the decision. And it had been creating challenge to make investment decision. But by now because of the decentralization of decision-making authority the challenges of bureaucratic red tape have been minimized.

Similarly, questions were raised about financial related factors that determine the growth of domestic private investment in kaffa zone. He replied that Access to finance and inflation are another determinant factor of growth of domestic private investment in the area. Regarding to access to finance, its accessibility is improved from time to time in which we are working together to create linkage between financial institutions and investment firms. Those who gets an opportunity to borrow money from Ethiopia development bank has shown a tremendous growth. Besides different private commercial banks are working to finance the investment projects in the area. Though supply of loan is not sufficient and not equivalent with its demand, availability of accessibility of finance is promoting the firms in to further steps of growth. Concerning the inflation, as it is macroeconomic variable and having a nation-wide impact on the whole economy, it is affecting the operation of the firms. The adverse effect of inflation is visible in the form of increasing the cost of production, decreasing the purchasing power of the consumer thereby reducing demand for goods/services. and finally, it is restraining the growth of firms.

Infrastructural facilities, access to market and access to raw material is locational factor determining the growth of domestic private investment in kaffa zone. Infrastructure is a base for socio- economic interaction. Likewise it is essential and determinant factor for the growth of investment firm as operating company requires road to transport and load and unload different product to the area and from the areal, uninterrupted water supply is a must for hotels health center and others, electric supply is essential for manufacturing firms, availability of infrastructural facility enhances the growth of investment firms in the area. Access to market and access to raw material is the two determinants which explain the supply of raw material and demand of goods/services. As the quality of material determines the quality of final product, availability of material helps the firms to be productive and effective. Likewise, the final product has to get the right market. availability of raw material and access to market gives opportunity to grow.

CHAPTR FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary of findings and conclusion derived in the conduct of the study on the determinants of domestic private investment growth in kaffa zone, it also provides recommendations. Which are sequentially presented here under.

This study was conducted in kaffa zone. The respondents were investment firms operating in kaffa zone. they were selected using cluster sampling technique. It employed mixed approach by focusing on both quantitative and qualitative data obtained from respondents. Both descriptive statistics and inferential statistics were used to analyze data.

5.1 Summary of major finding

This section summarizes the main research findings of the study. Primary objective of the study was examining determinants of domestic private investment growth of kaffa zone. The study used primary data sourced from investment firms operating in kaffa zone. Binary logistic regression model was employed to analyze the collected data to help in addressing the objectives. The study examined the effect of personal factors such as level of education, investment experience, the attitude of investors towards risk; administrative factors such as investment incentive, bureaucratic red tape, tax administration and access to land; finance related factors such as access to credit, inflation and interest rate on loan; investment locational factors such as infrastructural facility, access to market and access to raw materials; and covid-19 pandemics as an explanatory variables of domestic private investment growth.

1. What are personal factors affecting the growth of domestic private investment in kaffa zone?

- ✓ The result of data analysis on educational level reveals that the p-value of 0.013* and beta coefficient of 1.463 which is less than the significant level of 0.05. hence with 95% degree of freedom educational level has significant positive effect on the growth of domestic private investment in kaffa zone. Therefore, the null hypothesis stated educational level has no significant effect is rejected. Similarly

- ✓ The result of data analysis on investment experience reveal that the p-value of 0.032* and beta coefficient 0.968 which is less than the significant level of 0.05. hence with 95% degree of freedom. investment experience has a significant positive effect on the growth of domestic private investment in kaffa zone. Therefore, the null hypothesis stated investment experience has no significant effect is rejected.
- ✓ Other variable, attitude of investors towards investment risk has insignificant effect so, null hypothesis stated on attitude investors toward risk is accepted. Therefore, educational level and investment experience are the personal factors significantly determining the growth of domestic private investment in kaffa zone.

2. What is the effect of administrative factors on the growth of domestic private investment in kaffa zone?

- ✓ The result of analysis of investment incentives reveals that the p- value of 0.000* which is less than the significant level 0.05. and the beta coefficient is 2.821 which is positive. Hence with 95% degree of freedom investment incentives has significant positive effect on the growth of domestic private investment in kaffa zone. By this, the null hypothesis stated investment incentives has no significant effect on domestic private investment growth of kaffa zone. Likewise,
- ✓ The result inferential analysis on access to land reveal that the p-value of 0.000* which is less than the significant level 0.05. and the beta coefficient is 2.286 which is positive. Hence, with 95% degree of freedom access to land has significant positive effect on the growth of domestic private investment in kaffa zone. Therefore, the null hypothesis stated access to land has no significant effect is rejected.
- ✓ Other variables, bureaucratic red tape and tax administration have insignificant effect on the growth of domestic private investment in kaffa zone. Hence, investment incentive and access to land are the administrative factors that have significant positive effect on the growth of domestic private in kaffa zone.

3. What is the impact of finance related factors on the growth of domestic private investment in kaffa zone?

- ✓ The result of analysis of access to finance reveals that the p-value of 0.003* which is less than the significant level 0.05. and the beta coefficient is 1.738 which is positive. So, with 95% degree of freedom access to finance has significant positive effect on the growth of

domestic private investment in kaffa zone. By this, the null hypothesis stated as access to finance has no significant effect on the domestic private investment growth in kaffa zone is rejected.

✓ The result of inferential analysis on inflation reveals that the p-value of .000* which is less than the significant level of 0.05. and the beta coefficient is -2.499 which is negative. So, with 95% degree of freedom inflation has significant negative effect on domestic private investment growth of kaffa zone. Therefore, the null hypothesis stated as inflation has no significant effect domestic private investment growth of kaffa zone is rejected. Hence, access to finance and inflation are the finance related factors that have positive and negative significant effect on the domestic private investment growth of kaffa zone respectively.

4. How does investment locational factors affect the growth of domestic private investment in kaffa zone

✓ The result of analysis of infrastructural facilities reveals that the p-value of 0.000* which is less than the significant level 0.05. and the beta coefficient is 4.535 which is positive. So, with 95% degree of freedom access to infrastructure has significant positive effect on domestic private investment growth in kaffa zone. By this, the null hypothesis stated as access to infrastructure has no significant effect on the domestic private investment growth in kaffa zone is rejected.

✓ The result of inferential analysis on access to market reveals that the p-value of 0.006* which is less than the significant level of 0.05. and the beta coefficient is 1.642 which is positive. So, with 95% degree of freedom access to market has significant positive effect on domestic private investment growth of kaffa zone. Therefore, the null hypothesis stated access to market has no significant effect on domestic private investment growth of kaffa zone is rejected.

✓ The result of analysis of access to raw material shows that the p-value of .009* which is less than the significant level 0.05. and the beta coefficient is 1.772 which is positive. So, with 95% degree of freedom access to raw material has significant positive effect on domestic private investment growth in kaffa zone. Finally, infrastructural facility, access to market and access to raw material are locational factors significantly affecting domestic private investment growth in kaffa zone.

5. What is the effect of covid-19 pandemics on the growth of domestic private investment in kaffa zone?

- ✓ The result of inferential analysis on covid-19 reveals that the p-value of .000* which is less than the significant level of 0.05. and the beta coefficient is -1.320 which is negative. So, with 95% degree of freedom covid-19 pandemics has significant negative effect on domestic private investment growth of kaffa zone. Therefore, the null hypothesis stated as covid-19 pandemics has no significant effect domestic private investment growth of kaffa zone is rejected.

5.2 Conclusion

The primary objective of this study was to examine determinants of domestic private investment growth of kaffa zone. For this purpose, thirteen variables were identified and analyzed. The result shows that from the stated variable educational level, investment experience, investment incentives, access to land, access to finance, infrastructural facility, access to market, and access to raw material have significant positive effect on the growth of domestic private investment. the study confirm the finding made by Tigist & Mekonnen, (2018) that educational level and investment experience have significant positive effect on growth of domestic private investment. This study also fits with the finding of Megbaru. T (2019) and Asante.T. (2000) that investment incentives, access to land, access to finance and infrastructural facilities have significant positive effect on the growth of private investment. other variables, inflation and covid-19 pandemics have significant negative effect on domestic private investment growth. This result fits the finding of Muhammedhussen Batu, (2016) and Adugna, (2013) that inflation has significant negative effect on investment growth. Besides attitude of investors towards investment risk, bureaucratic red tape, tax administration, and interest rate on loan has insignificant effect on explaining the growth of domestic private investment in the area. The study contradicts the finding of Megbaru. T (2019) with the result that bureaucratic red tape and tax administration have insignificant effect on domestic private investment growth in kaffa zone. To sum up, this study has identified a lot of factors that significantly determine the growth of domestic private investment in kaffa zone and has a great contribution of giving insight for concerned bodies who are taking part on investment activity in the area by identifying to what factors priorities has to be given in order to make conducive investment climate in the area.

5.3. practical implication

- Investment incentive is the most significant determinant of domestic private investment growth so, Local administration should have to prepare incentives to boost the investment growth in the area
- Access to land is another determinant of investment growth in the area, Zonal administration also should have to prepare land for investment with infrastructural facilities
- Under development of infrastructure is the main determinants of domestic private investment growth. Specially, electricity, transportation and pure water supply are the main problems in the area. Therefore, the zonal administration with collaboration with respective office like water development office, road authority and Ethiopian electric power authority and concerning bodies should work to minimize the problem by constructing new road and maintaining the existing road, developing new water project, and improving power supply.
- In order to increase the accessibility of finance financial institution operating in the area should have to provide sufficient loan accordingly with their investment projects besides it is advisable to Expand loan institutions to increase the financial capacity of the investors and enhancing promotions for investment
- Inflation is another problem that negatively affect the growth of domestic private investment, so to stabilize the macro economic environment , the government has to create a stable macro-economic condition like stable foreign exchange rate, lowering the current prevailing inflation rate, adopting fair interest rate policy for bank loans, ensure adequate availability of foreign currencies and so on in the country.
- To control the adverse effect of covid-19 the government has to prepare subsidy for sectors exclusively affected by the pandemics. Besides the ministry of health should have to strive to vaccinate the majority of the nation and Every individual has to carry out his/her obligation to by strictly applying messages from health professionals
- access to market is another problem, so the concerning bodies should have to prepare training and awareness creation program for the investors on how to search for market linkage and how to handle customers.

5.4. FUTURE RESEARCH DIRECTION

Notwithstanding the mentioned limitations in the current study, it has many contributions from which future researchers would benefit. more researches should be carried out across a wider range of the study area as well as at regional level. In addition, future researchers could include more of macro-economic variables such as money devaluation, and demonetization. Moreover, comparative study should be made between different regional states to identify whether the variable has similar effect across the regions in the country.

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APPENDIX A: QUESTIONERS

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEENT

INTRODUCTION

Dear respondent, my name is Wasihun Ayele, I am a graduate student of Masters of business administration (MBA)in Jimma university. Currently, I am undertaking a research entitled determinants of growth of domestic private investment in Ethiopia, in case of Kaffa Zone You are one of the respondents selected to participate on this study. The questionnaire is completely anonymous and you are participating voluntarily. The information that you share in the questionnaire will be kept confidential and only used for the academic purpose. No individual's responses will be identified as such and the identity of persons responding will not be released to anyone without your consent. Thank you in advance for your cooperation and your time.

Instructions

- There is no need of writing your name
- For Likert scale type statements and multiple-choice questions indicate your answers with a check mark (√) in the appropriate block.

Part one: Demographic character of the respondents

1.1.Sex: 1) male 2) female

1.2.Age of the respondents: _____years

1.3.what is your Marital status?

1) Single 2) Married 3) Divorced 4) Widowed

1.4. Business sector 1) agriculture industry service

1.5.What was the source of your startup capital?

- 1) Own saving 2) Bank loan
 3) loan from Omo micro finance 4) loan from others lenders.

Part two: questions concerning with independent variables

1. Personal factors

1. what is your highest level of education?

- 1) Primary school 2) Secondary school
 3) college diploma 4) Bachelor Degree and above

2. Do you think that your educational level affects your investment growth?

- 1) yes 2) No

3. If your answer for above question number “2” is yes how it affects?
 _____.

4. Do you have investment experience before starting this business?

- 1) yes 2) No

5. do you think that having investment experience contribute to growth of investment?

- 1) Yes 2) No

6. what is your attitude toward investment risk?

- 1) risk taker 2) neutral 3) risk averse

2. Administrative factors

Please indicate the degree to which you agree with the following statements concerning administrative factors. put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree

S.N	Factors on investment incentive	1	2	3	4	5
1.	I have got Adequate incentive from government					
2	There is incentive of Income tax holiday					
3	There is incentive of Duty-free import of machine and equipment.					
4	There is incentive of access to bank loan					
5	There is Fast track approval of process.					
6	There is seed capital incentive.					

7	There is activity of making the area suitable investment climate					
	Factors on bureaucratic red tap	1	2	3	4	5
1.	There is bureaucratic red tap					
2.	There is delay in getting investment license					
3.	There is delay in getting bank loan					
4.	There is delay in accessing utilities					
5	There is Delay in policy implementation					
6	There is Corruption in granting of investment license					
7	There is Policy distortion and rent seeking					
8	There is operational inefficiency in government institutions					

	Factors on tax administration	1	2	3	4	5
1	There is favorable tax policy and regulation					
2	Tax levied on may business is reasonable					
3	There is no favoritism on estimation of income tax					
4	business regulations are applicable in appropriate way					
5	Adequate time is allotted to pay tax					
6	There is efficient tax administration system.					
S.No	Factors on access to land	1	2	3	4	5
1	Land is easily accessible for my business.					
2	There is no bureaucratic procedure to acquire land					
3	land lease price is reasonable.					
4	I have not encountered any problem while securing land for investment					
5	Easy to get land at suitable location					
6	Corruption is asked to acquire land for investment.					

3. Finance related factors

Please indicate the degree to which you agree with the following statements concerning finance related factors. put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree

S. No	Finance related factors	1	2	3	4	5
1	There are adequate credit institutions					
2	Adequate Amount of credit is allowed for investors					
3	Low collateral requirement from banks and other lending institutions.					
4	Loan application procedures of banks and other lending institutions is not complicated					
5	There is no shortage of working capital					
6	interest rate charged by banks and other lending institutions is high					

7	interest rate is affecting my business					
8	Inflation rate is affecting my business					
9	inflation is reducing demand of my product/ service					
10	inflation is affecting the growth of my business					

4. Locational factors

Please indicate the degree to which you agree with the following statements concerning Locational factors. put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree

S. No	Factors on infrastructure	1	2	3	4	5
1	Inadequate infrastructure.					
2	Poor road infrastructure.					
3	Poor electricity supply.					
4	Insufficient and interrupted water supply					
5	inadequate educational center					
6	inadequate health center					
7	Poor Telecommunication service and network					

S. No	Factors on market and raw material	1	2	3	4	5
1	Inadequate market for my product					
2	Searching new market is very difficult					
3	There is no established market network					
4	inadequacy of raw material for my business					
5	Seasonal variation of price of raw materials					
6	Poor Quality of raw material for use					
7	Location dependency of raw material					
8	Cost of acquiring raw material is high					

5. Covid-19 pandemics

Please indicate the degree to which you agree with the following statements concerning covid-19 pandemics. put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree

S. No	Factors on covid-19 pandemics	1	2	3	4	5
1	Due to covid-19 pandemics raw material supply stopped					
2	Due to covid-19 pandemics shortage of worker happened					
3	Due to covid-19 pandemics shortage of working capital is created					
4	Due to covid-19 pandemics our operational cost is increased					
5	Due to covid-19 pandemics consumers consumption declined					
6	Government bodies has not been supporting us to minimize the adverse effect of the pandemics.					

7	Tax reduction was made to support the business to cop up from the pandemics					
8	Loan term extension was made to support the business to cop up from the pandemics.					
9	due to covid-19 pandemics Your sales revenue is decreased.					
10	Firms productivity was declined due to stress and frustration of employee as a result of the pandemics.					

Part 3: Question related to dependent variable (growth of domestic private investment)

1. What is the growth status of your investment?
1) Growing 2) not growing

PART FOUR: STRUCTURED INTERVIEW GUIDE

1. What are the administrative factors that determine the growth of domestic private investment in kaffa zone?
2. What are financial related factors that determine the growth of domestic private investment in kaffa zone?
3. What are locational factors affecting the growth of domestic private investment in kaffa zone?
4. What are the prospects of investment growth in the zone?
5. In order to enhance the growth of investment what has to be done by different concerning bodies?

APPENDIX B: AMHARIC VERSION OF THE QUESTIONERS

ጅማ ዩኒቨርሲቲ

የቢዝነስና ኢኮኖሚክስ ኮሌጅ

የማናጅመንት ትምህርት ክፍል

መግቢያ

እኔ ዋሲሁን አየለ በአሁኑ ሰዓት በጅማ ዩኒቨርሲቲ በድህረ ምረቃ ፒሮግራም (ማስተርስ) የንግድ አስተዳደር (master of business administration) ተማሪ ስሆን የመመረቅያ ጥናተንም “Determinants of domestic private investment growth of kaffa zone” በሚል ርዕስ እየሰራው እገኛለው። የዚህ መጠይቅ አላማም እንሸሰትመንት ላይ ከተሰማሩ አካላት ስለ ጉዳዩ በቂ መረጃ በመሰብሰብ ጥናቱን ውጤታማና ተአማኒነት ያለው ማድረግ ነው። ይህንንም ለማሳካት የእርሶ ትብብር በጣም ያስፈልገኛል። ስለዚህ ለመጠይቁ መልስዎን ይሰጡኝ ዘንድ በአክብሮት እጠይቃለው። ለመጠይቁ የሚሰጡጥ ምላሽ ለጥናቴ ብቻ የሚውል ሲሆን መልሶትም በሚስጥር ይያዛል። ለትብብሮዎ በቅድሚያ በጣም አመሰግናለው

ማስታወሻ:-

- ✓ ስም መጥቀስ አያስፈልግም
- ✓ በትክክለኛው አማራጭዎ ፍትሊፊት የራይት ምልክት ያስቀምጡ
- ✓ እባክዎ ሁሉንም ጥያቄዎች ወድያዉኑ ጨርሰው በመመለስ ይተባበሩኝ

ክፍል አንድ: የመላሾች የግል ሁኔታ

- 1) ያታ : 1. ወንድ
2. ሴት
- 2) ዕድሜ _____ ዓመት
- 3) የትዳር ሁኔታ
1. ያላገባ(ች) 2. ያገባ(ች)
3. አግብቶ የፈታ(ች) 4. ሚስት(ባል) የሞበት
- 4) የስራ ዘርፍ:- 1) ግብርና 2) እንዳ-ስተር 3) አገልግሎት
- 5) የመነሻ ካፕታሎም ምንጭ ምን ነበር?
- 1) የግል ቁጠባ 2) የባንክ ብድር

3) የአሞ ማይክሮ ፋይናንስ ብድር 4) ከሌላ አበዳሪዎች የተገኘ ገንዘብ

ክፍል ሁለት: በግል እንቅስቃሴዎች እድገት ላይ ተፅኖ ፈጣሪ ጉዳዮችን በተመለከተ የተዘጋጁ መጠይቆች

1. የግል ሁኔታዎች

1 የትምህርት ደረጃ

- 1. አንደኛ ደረጃ 2. ሁለተኛ ደረጃ 3. የኮለጅ ዲፕሎማ
- 4. ድግሪና ከዚያ በላይ

2 የትምህርት ደረጃዎ በእንቅስቃሴዎች እድገት ላይ ተፅኖ አለው ብሎ ያስባሉ?

- 1. አዎ 2. አይደለም

3 የጥያቄ ቁጥር ሁለት 2 መልስዎ አዎ ከሆነ እንዴት? እባክዎ ያብራሩልኝ

4 ይህን ስራ ከመጀመርዎ በፊት የእንቅስቃሴዎች ልምድ ነበርዎት?

- 1. አዎ 2. አልነበረኝም

5 የእንቅስቃሴዎች ልምድ ለእንቅስቃሴዎች እድገት ዐስተዋጾ አለው ብለው ያስባሉ?

- 1. አዎ 2. አላስብም

6 ለእንቅስቃሴዎች ሪስክ (Risk) ያሉት አመለካከት ምንድነው?

- 1. ሪስክ መውሰድ እወዳለው 2. ምንም አይመስለኝም
- 3. ሪስክ መውሰድ አልወድም

ከዚህ ቀጥሎ የተዘረዘሩ ዓረፊት ነገሮች የአስተዳደራዊ ጉዳዮች፣ ከፋይናንስ ጋር የተያያዙ ጉዳዮች፣ አከባቢ ጉዳዮች እና ኮቪድ-19 ነክ ጉዳዮች በእንቅስቃሴዎች እድገት ላይ የሚያሳድሩትን ተፅኖ በተመለከተ የተዘጋጁ መጠይቆች ናቸው። በመሆኑም እያንዳንዱን ዓረፊት ነገር ካነበቡ በሃላ የስምምነት ደርጃዎን የራዴት ምልክት (✓) በማስቀመጥ ያረጋግጡልኝ

በዚህ መሰርት(5) በጣም እስማማለሁ (4) እስማማለሁ (3) ምንም አይመስለኝም

(2) አልስማማም (1) በጣም አልስማማም

2. አስተዳደራዊ ጉዳዮች፡

እባክዎ አስተዳደራዊ ጉዳዮችን በተመለከተ ለተዘርዘሩት ዓረፊተ ነገሮች ያሎትን የስምምነት መጠን በትክክለኛው አማራጭዎ ፍትሊፊት የራይት ምልክት (✓) ያስቀምጡ በዚህ መሰርት (5) በጣም እስማማለሁ (4) እስማማለሁ (3) ምንም አይመስለኝም (2) አልስማማም (1) በጣም አልስማማም

S.N	እንሸሸት መንት ማበረታቻ	1	2	3	4	5
1.	ከመንግስት በቂ ማበረታቻ አገኝቻለሁ፡					
2	የገብ ግብር እጅጅ ታ/ቅናሽ ተደርጎልኛል					
3	የሥራ መሳርያዎችንና ማሸኛችን ከቀረጥ ነፃ አስገብቻለሁ					
4	የባንክ ብድር አገልግሎት ተመቻችቶልኛል					
5	የሥራ ሂደቶች በፍጥነት ተፈፃሚ ይሆናሉ					
6	የመነሻ ካርታል ማበረታቻ አለ					
7	አካባቢውን ለእንሸሸት መንት ምቹ የማድረግ ስራ እየተሰራ ነው					
	ብሮኪራሲ	1	2	3	4	5
5.	ውሳኔ ለመስጠት አሰልፏልና ተደጋጋሚ ሂደቶች አሉ					
6.	የእንሸሸት መንት ፍቃድ ለማግኘት ብዙ ጊዜ ይፈጃል					
7.	የባንክ ብድር ለማግኘት ብዙ ጊዜ ይፈጃል					
8.	መሰረታዊ አገልግሎቶችን ለማግኘት ብዙ ጊዜ ይፈጃል					
5	የፖሊስ አተገባበር ላይ መዘግየት አለ					
6	የእንሸሸት መንት ፍቃድ ለመስጠት ሙስና ይጠየቃል					
7	መመሪያ የማዛባትና ክራዩ ሰብሳብነት አለ					
8	በመንግስት ተቋማት የአሰራር ቅልጥፍና የለም					

	የታክሲ አስተዳደር	1	2	3	4	5
1	ምቹ የታክሲ ፖሊስና መመርያ አለ					
2	በደርጅቴ ላይ የሚጣለው ግብር ምክንያታዊና ፍታዊ ነው					
3	የገብ ግብር ግመታ ላይ ምንም አይነት አደሎ የለም					
4	የንግድ መመርያዎች በትክክለኛው መንገድ ይተገበራሉ					
5	ግብር ለመክፈል በቂ ጊዜ ይሰጠናል					
6	ቀልጣፋ የግብር አስተዳደር ስራ ተም አለ					

S.No	የመሬት አቅርቦት	1	2	3	4	5
1	የእንሸሸት መንት መርት በቀላሉ ማግኘት ይቻላል					
2	የመስርያ ቦታ ለማግኘት ምንም ዐይነት ብሮኪራያዊ ህደቶች የሉም					
3	የመሬት ለዝ ዋጋ ምክንያታዊ ነው					

4	መሬት ለማግኘት ምንም አይነት ችግር አልገጠመኝም					
5	ለስራ ተስማሚ አካባቢ ላይ መሬት ማግኘት ይታያል					

2. ከፋይናንስ ጋር የተያያዙ ጉዳዮች

እባክዎ ከፋይናንስ ጋር የተያያዙ ጉዳዮችን በተመለከተ ለተዘርዘሩት ዓረፍተ ነገሮች ያሎትን የስምምነት መጠን በትክክለኛው አማራጭዎ ፍትሊፊት የራይት ምልክት (✓) ያስቀምጡ። በዚህ መሰርት(5) በጣም እስማማለሁ (4) እስማማለሁ (3) ምንም አይመስለኝም (2) አልስማማም (1) በጣም አልስማማም

S. No	ፋይናንስ ነክ ጉዳዮች	1	2	3	4	5
1	በቂ አበዳሪ ተቋማት አሉ					
2	ለእንቅስቃሴዎች በቂ ገንዘብ በብድር መልክ ይሰጣል					
3	በባንኮችና በሌሎች አበዳሪ ተቋማት የሚጠየቀው የመያዣ ንብረት (collateral) ዝቅተኛ ነው።					
4	የባንኮችና የሌሎች አበዳሪ ተቋማት የብድር አገልግሎት ህደት የተወሳሰበ አይደለም					
5	የስራ ማስኬጃ ገንዘብ አላጠረኝም					
6	አበዳሪዎች የሚያስከፍሉት የብድር ወለድ ምጣነ ከፍተኛ ነው					
7	የብድር ወለድ መጠን የንግድ ስራዎን እየጎዳው ነው					
8	የኑሮ ውድነት የንግድ ስራዎን እየጎዳው ነው					
9	የኑሮ ውድነት የምርት አገልግሎት ፍላጎት እንዲቀንስ አድርጎታል					
10	የኑሮ ውድነት የንግድ ስራዎን እደገት እየጎዳው ነው					

3. አካባቢያዊ ጉዳዮች እና ኮቪድ-19 ነክ ጉዳዮች

እባክዎ አካባቢያዊ ጉዳዮችን በተመለከተ ለተዘርዘሩት ዓረፍተ ነገሮች ያሎትን የስምምነት መጠን በትክክለኛው አማራጭዎ ፍትሊፊት የራይት ምልክት (✓) ያስቀምጡ። በዚህ መሰርት(5) በጣም እስማማለሁ (4) እስማማለሁ (3) ምንም አይመስለኝም (2) አልስማማም (1) በጣም አልስማማም

S. No	የመሰረተ ልማት ሁኔታ	1	2	3	4	5
1	በቂ የመሰረተ ልማት የለም					
2	የመንገድ መሰረተ ልማት እጥረት አለ					
3	የመብራት/ኤለክትሪክ መሰረተ ልማት እጥረት አለ					
4	በቂ ያልሆነ በየገዜው የሚቆራረጥ የውሃ አቅርቦት					
5	የትምህርት ቤት አቅርቦት በቂ አይደለም					
6	የጤና መሰረት ልማት በበቂ ሁኔታ አልተሟላም					
7	ደካማ የተለኮምንከሽን አገልግሎት					

S. No	የገብያና ጥሬ እቃ አቅርቦት	1	2	3	4	5
1	ለማመርተው ምርት በቂ ገበያ አላገኝም					
2	አዲስ ገበያ ፈልጎ ማግኘት አዳጋች ነው					
3	ምርት ለመሸጥ የተዘረጋ የገበያ ትስስር የለም					
4	በአካባቢው የጥሬ እቃ አቅርቦት በቂ አይደለም					
5	የጥሬ እቃ ዋጋ በየገዜው መለዋወጥ ያሳያል					

6	የጥሬ እቃ ጥራት የወርደ ነው					
7	ጥሬ እቃ ለማግኘት ማወጣው ወጪ ከፍተኛ ነው					

4. ኮቪድ-19 ነክ ጉዳዮች

እባክዎ አስተዳደራዊ ጉዳዮችን በተመለከተ ለተዘርዘሩት ዓረፍተ ነገሮች ያሎትን የስምምነት መጠን (✓) ምልክት በማስቀመጥ ያረጋግጡልኝ። በዚህ መሰርት(5) በጣም እስማማለሁ (4) እስማማለሁ (3) ምንም አይመስለኝም (2) አልስማማም (1) በጣም አልስማማም

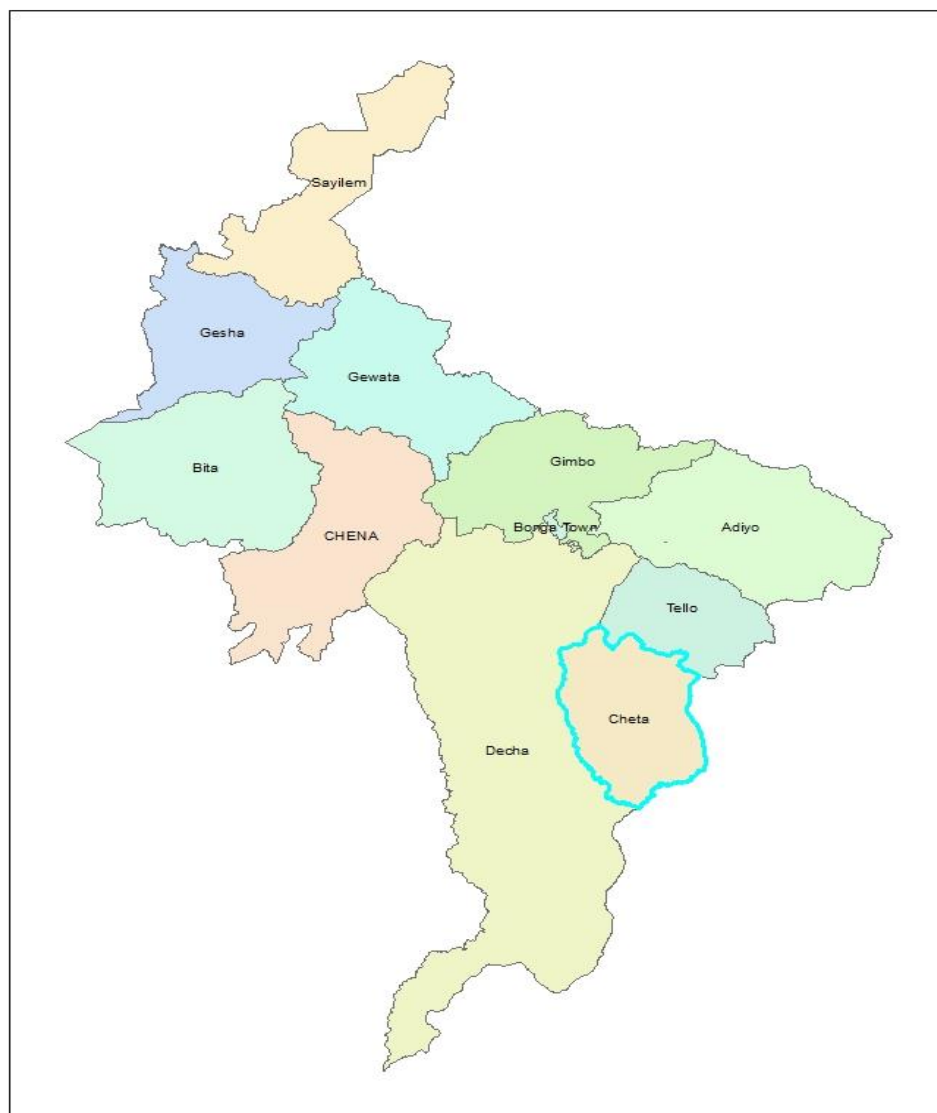
S.No	4) የኮቪድ-19 ወረርሽኝ	1	2	3	4	5
1	በኮቪድ-19 ምክንያት የጥሬ እቃ አቅርቦት ቆሞዋለል					
2	በኮቪድ-19 ምክንያት የሰራተኞች እጥረት ተከስቶዋል					
3	በኮቪድ-19 ምክንያት የሰራ ማስኬጃ ገንዘብ እጥረት ገጥሞኛል					
4	በኮቪድ-19 ምክንያት የድርጅቱ አጠቃላይ ወጪ ጨምሮዋል					
5	በኮቪድ-19 ምክንያት የደንበኞች የፍጀታ መጠን ቀንሶዋል					
6	የወረርሽኝን አሉታዊ ተፅዕኖ ለመቀነስ መንግስት ምንም ድጋፍ አላደረገም					
7	ድርጅቱ በወረርሽኝ ምክንያት ከገቡበት ጫና እንድያገግሙ ለመርዳት የግብር ቅነሳ አልተደረገም					
8	ድርጅቱ በወረርሽኝ ምክንያት ከገቡበት ጫና እንድያገግሙ ለመርዳት ብድር የመክፈያ ጊዜ አልተራዘመም					
9	በወረርሽኝ ምክንያት የድርጅቱ የሽያጭ ገቢ ቀንሶዋል					
10	በወረርሽኝ ምክንያት በሰራተኞች ላይ በተፈጥረው ጭንቀትና መደናገጥ የድርጅቱ ምርታማነት ቀንሶዋል					

ክፍል ሶስት: የግል ኢንቨስትመንት እድገትን በተመለከተ የተዘጋጀ መጠይቅ

1. ድርጅቱ እያድገ ነው?

- 1) እያድገ ነው 2) እያድገ አይደለም

APPENDIX C: ADMINISTRATIVE MAP OF KAFFA ZONE



Source: Kaffa Zone Finance and Economic Development statistical abstract bulletin, 2021

APPENDIX D: MULTICOLLINEARITY TEST

Table 4.1A: Multicollinearity test of personal factors

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Education	.992	1.009
	Do you have investment experience before starting this business	.971	1.030
	what is your attitude toward investment risk	.964	1.037

Table 4.2A: Multicollinearity test for Administrative factors

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Investment incentive	.947	1.055
	Bureaucratic red tap	.947	1.056
	Tax administration	.971	1.030
	Access to land	.970	1.031

Table 4.3A: Multicollinearity test of Financial related factors

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Access to finance	.752	1.330
	Inflation	.752	1.330

Table 4.4A: Multicollinearity test of investment locational factor

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Access to infrastructure	.549	1.821
	Access to market and raw material	.549	1.821