

Determinants of Investment activities in case of AKESTA Town

Derese simegnaw Alehegn

Addis Ababa

dereseenkopa@yahoo.com

Abstract: Globally poverty constitutes the deepest and most dangerous in the world economy. The elimination of this worst economy requires sustained economic growth and development in the poorest area of the world. The right condition should be created to encourage the private owners of capital, to invest in the area where such macro conditions exist especially the poor countries found in Sub-Saharan country (for tune vol 5, No 193 Dec, 11, 2005). Investment promotion agencies need a careful and detailed approach that addresses the specific circumstances of the country, such as geography, targeted sectors, sectors development, lower labor cost, quality of mineral deposits, the access to international markets, reliable power, local supply of qualified human power and low cost of communication (world Investment prospects special edition No 78). On other hand Ethiopia is a country found in Sub-Saharan and ranked 9th in terms geographical area in terms African continent. Ethiopia is known with ancient civilization, historical culture, a proud of tradition and on the top of all a land with immense potential for economic development of a country. The country is rich in natural and human resources. The climate and fertile soil are suitable for the cultivation of wide ranges of crops and live stocks. But this land of plenty is also suffering from poverty, lack of infrastructure, under development health center and fundamental ills of the economy system and reacts up on to keep the country under development (CSA 2008, Tessykurian 2004). Amhara is the second largest regional state in Ethiopia, which almost reflects the real situation of economical and political issue of next to the country next to Amhara state. The region has abundant natural and human resources. It is the habitat of various species of endemic wild life, birds, forest and location of best kept secret of tourism sites. It is natural resources such as mineral, forests, water, energy and diversities climatic conditions, geographical areas of the region hold the interest of investors. Despites of these opportunities investment activates in the region are far from being sufficient. (AMHARA investment commission, April 2008). So this title was focused on determinants of investment activates in AKESTA Town, .Legambo is one of woredas in Amhara region which is found specifically in south wollo zone. Akesta town found in legambo woreda at the western part of the zone far from 100KM Dessie. Now the total population for Akesta reaches 165000 of whom 79000 were men and 86000 were women. (csa 2005, phsical and social economic profile district of amhara region , 2010). So the researcher was investigated the major variables determining investment activities in the town and examined how this factors affecting investment.

Keywords: Determinants of Investment, AKESTA

1.1 Statement of the problem

Investment is the most important in process of bringing rapid economic development of a nation. Smooth investment activities can be involved in the country in which rapid economic policies are correctly formulated resources are well managed /allocated/ distributed as well as implemented. But the facts proved that many of Ethiopian people are lived under poverty line due to lack of natural resources management of the country. About 87% of the people of Ethiopia live under poverty line and 12.5% they are at risk of starvation (UNHRF, UNICEF, ECHO, CSA, 2008).

Here if seems reasonable to undertake detailed study of the variables determining investment activities in specific places throughout the country in case of Akesta town to understand the nature and types of such variables so as to lay a base on which economic policy reforms and necessary action to be taken to enhance investment activities and calls farther researcher and thereby find feasible solution for the problem in Akesta town in particular and in the country in general,

The main reason that initiate the researcher to conduct this research is to increase the investment activates and minimized the problem discourage the investment activities and eliminate the problem obstacle the growth of investment activates in the town as possible. Indeed Akesta town is rich in natural and human resources and near to capital city, but the town is not used it's advantageous in attracting more investors.

1.2 Objectives of the study

1.3.1 General Objectives

The general objectives of the study was found in the determinants of investment activities in Akesta town and related variables, level of investment activities such as individual income, political relationship between society and government and types of investment activities in the town.

1.3.2 Specific Objectives

Specific objectives found on the following

- ❖ To identify the major variable investment activates in the town and to examine how this factors affects investment.
- ❖ To describe the direction and the types of investment activates involved mostly in the town and to reason out why investors mostly involved in such areas.
- ❖ To identify investment opportunities in the town
- ❖ To suggest solution and mechanism to enhance the investment activates of the town.

1.3 Significance of the Study

This study helps to know about the importance of investment activates in Akesta town. The main objectives of this study would be to acquire knowledge by investigation the most important variables affecting investment activates in the town. Furthermore, it invites other researchers in order to develop comprehensive work in this area with a long period of time. And it gives a feasible solution for the investors as well as for the organization. The researcher will get a good experience and help him/her to do good works in the future. This study enables the researcher in acquiring academic fulfillment for graduation. The study will serve as reference and documents for related works of others.

1.5 Scope of the Study

The scope of this was focused on the main determinants of investment in Akesta town. Even though will happy to do this research in the country at all, but due to shortage of time and financial resources the study was limited to the specified town of investment activities. The expected respondent of the town is considered through use of self administered questionnaire and personal interview in order to get the needed information from the investors of the town.

1.6 Limitation of the study

It is obvious that every research study may have drawbacks in one way or the other. In the same way, there are some factors that hinder the effectiveness of this research.

These include the inconsistency nature of the data, lack of efficient and sufficient data in desired way. This is further complicated with shortage of time budget and financial, as well as the reluctance of some investors and official to provide flexible information.

3. RESEARCH METHODOLOGY

The study was undertaken on determinants of investment activity in Akesta town. As investment activities affected by various variables in dynamic environment in which its activity takes place the researcher gave more emphasis to the relevant variables determining the investment activity of the town. Since different investors are there in terms of their experience, duration of engagement, and knowledge are not homogenous, simple random sampling techniques was used for the selection of typical sample out of population of investors who would be represented the other else. And the study and the researcher used the present situation of the investment in the area and identifying the major problem that affect the investment activates in the town.

3.1 Research Design

The research design in the study was descriptive quantitative to investigate the major determinants of investment activities in Akesta town.

3.2 Sampling Technique and Sample Size Determination

Zone of Amhara regional state. The study was conducted in Akesta town which is found in south wollo zone in legambo woreda .

The target population for this study was individual investor's or government organization of the town who give important information about the investment. Hence, the sampling technique which was used would be judgmental sampling. The reason for selecting this method is it enables the researcher to freely select any respondents who can reply for the question and it is not time consuming for the respondents.

The town has 358 investors who are investing permanently in the town and out of these investors.

The researcher was selected 56 investors who represent the other else and to fill the questionnaires for data collection purposes by using the following formula.

$$n = \frac{Z^2 \cdot p \cdot q \cdot N}{E^2 (N-1) + Z^2 \cdot P \cdot q}$$

$$= \frac{(1.64)^2 \times 0.5 \times 0.5 \times 358}{(0.1)^2 (358-1) + (1.64)^2 \cdot 0.5 \times 0.5}$$

$$= \frac{4.7552 \times 179}{0.01 \times 357 + 1.3264 \times 0.25}$$

$$= \frac{851.1808}{0.357 + 0.3316}$$

$$= \frac{851.1808}{0.6886} = 1236.1034$$

$$= 1236.1034$$

$$\approx 56$$

Therefore 56 investors were selected

Where N= Total population (Investors) =358

n = the required sample size

Z = Confidence level at 90% (1.64 on the table)

E = Margin Error (100% -90%) =0.1

So the designed questionnaire 56 distributed to the computed sample size in order to gather the need information and since investors of the town are not homogenous, simple random sampling techniques was used for the selection of typical sample out of the total population of investors.

3.3 Sources of data

The data were both quantitative and qualitative in nature depending on its and the researcher was gathered from both primary and secondary sources of data by using different methods. The primary data was gathered directly from the investors in the town and secondary data was gathered from documents, reports, books, magazines, internet, and manuals to obtain his topical and other types of information.

3.4 Data collection methods

To obtain the reliable data the researcher was used both primary and secondary sources of data. To get data from primary sources both open ended and close ended question were prepared in the form of questionnaire and distributed to investors of the town to reply their ideas and experiences about the question for open ended questions.

The closed ended questions were selected for the reason that it provides uniform responses and also easy to process and relevant to the most of respondents.

3.5 Data processing and analysis

After the necessary data are collected they were summarized and analyzed, then editing as well as classifying the data in order to give meaning fall results. The data analysis method used was descriptive analysis because of its simplicity and clarity for drawing inferences. Average and percentage computation will be employed for analysis.

3.6 RESEARCH ETHICS

The researcher respect all research ethics in order to accomplish the research and to get accurate information from the respondents like;-

- ✓ Respect persons

- ✓ Respect justice
- ✓ Respecting respondents culture

DATA ANALYSIS AND INTERPRETATION

This study deals with the analysis and discussion of data collected from individual investors in Akesta town. Regarding questionnaires, student researcher designed 56 questionnaires and distributed them the total sample size of 56 who are fund at different age, educational level and marital status and student researcher collected all of them what the researcher distributed to the respondents and all 56 questionnaires were properly filled as well as give the necessary information for the researcher.

Table 4.1 Personal characteristics and basic information

No	Question raised	Alternative offered	No of respondents	Parentage
1	Sex	Male	46	82.14%
		Female	10	17.86%
		Total	56	100%
2	Age	20-30 Yrs	13	23.21%
		31-40 Yrs	25	44.64%
		41-50 Yrs	12	21.43%
		Above 50 Years	6	10.71%
		Total	56	100%
3	Educational status	Illiterate	3	5.35%
		Primary School	2	3.57
		Secondary School	10	17.86%
		College and University gradate	34	60.71%
		Vocational training	7	12.5%
		Total	56	100%

Source: Self survey, 2019

The above table 4.1 indicates that 82.114% (46) of the respondents are male and the rest 17.86% (10) of them are females. There is no person under the age of 20 years who were participate in the investment activities in the town and 13 (23.21%) of the respondents are between the age of 20 and 30 years, 25(44.64%) of the respondents are between the age of 31 and 40 years, 12 (21.43%) of the respondents are between the age of 40 and 50 years and 6 (10.71%) of the respondents are above 50 years. Regarding the educational status 3 (5.36%) of investors are illiterate, 2 (3.57%) of them are attended primary school, 10 (17.86%) of them are attended secondary school, 34 (60.71%) of respondents have graduated from College and University and the remaining 7 (12.5%) of respondents have a certificate from vocational training.

We conclude from these information is that the women participation in investment activities are very low because of culture and traditional beloved particular in the town and generally in the country as a whole. Many of investors in the town found between 30-40 years and most of them are graduated from college and University. We conclude from this information how education creates some value in participating in investment activities of the town.

Table 4.2 Investors response to the problem they faced

No	Question raised	Alternative offered	No of respondents	Parentage
4	In which types of investment are you engaged currently	Manufacturing Agriculture	11	19.64%
		Financial	13	23.21%
		Services	10	17.86%
		Total	22	39.29%
			56	100%

5	Does your educational status have positive impact on your activity?	Yes No Total	45 11 56	80.36% 18.64% 100%
6	Have you ever faced problem during your engagement in the town?	Yes No Total	36 20 56	69.52% 30.46% 100%
7	If yes, what type of problems?	Social Political Economic Raw material Total	4 7 20 5 36	7.14% 12.5% 35.71% 13.9% 69.54%

Sources: Self survey, 2019.

The above table 4.2 shows that 11 (19.64%) engaged in manufacturing, 13 (23.21%) investors were engaged in agriculture, 10 (17.86%) investors were engaged in financial investment 22 (39.15%) investors were engaged in services.

We concluded from the above information most of investors engaged in service sector. As we seen from table 4.2 45 (80.36%) of respondents are replied yes and 11 (19.64%) in respondent are replied no on the question does your educational status has positive impact on your activity. Many of the investors said that their educational status has positive impact or their engaging and participating in investment activities of the town.

As shown in the above table 4.2 36(69.54%) of the respondent replied that there were a problem during their engagement in investment activities.

20 (30.46%) of them said that they didn't face a problem because of the and enough capital, but bore since the most investors answered yes, there were an investment problem because of lack of capital, infrastructure, political and lack of saving habit and lack of good governance. On other hand investors have faced social political, economic, raw material and other problems during their engagement in the town. This depicts that, there is strong concern regarding the economic that is 20 (35.71%) of the respondents had economic problem 7 (12.5%) of the respondents had political problem, 5 (13.9%) of them had raw material and 4 (7.14%) of them are social problems.

Table 4.3 Sources of fund and accessibility of financial sources

No	Question raised	Alternative offered	No of respondents	Parentage
8	What are your sources of fund to invest?	Government bank private banks credit and loan association other Total	13 13 25 5 56	23.21% 23.21% 44.64% 8.93% 100%
9	How do you rank the accessibility of their financial soundness to investors?	Medium Difficult Total	8 28 20 56	14.29% 50% 35.71% 100%
10	If your choice for question "No" 11 is difficult is it because of	Lack of infrastructure absence of financial intermediary high interest rate lack of long term loan other Total	13 12 2 2 1 20	23.21% 3.57% 3.57% 3.57% 1.79% 35.71%

11	Do you have problems regarding infrastructure facilities?	Telephone	2	3.57%
		Electric Power	4	7.14%
		Road	4	7.14%
		Water	3	5.36%
		Total	13	23.21%

Sources: Self survey, 2019.

As the above table 4.3 shows show most of the respondents 25 (44.64%) used credit and loan association, 13 (23.21%) used government bank 13 (23.21%) used private bank and the remaining 5 (8.93%) used their own capital and borrowed from their families and friends, With regarding to accessibility conditions of the financial sources to investors from the financial instructions, 8 (14.29%) of the respondents easy as easy, 28 (58%) of investors rank as medium and 20 (35.71%) of respondents rank as difficult to get financial sources (fund) from financial institution.

According to the views of investors responded to the difficulties in using financial sources, the in ability to meet collateral requirements, high interest rate, lack of long term and absence of financial intermediary are the most frequent reason for not king able to obtain financial sources.

As we concludes from this table the majority of investors 7.14 (4) of the respondents have a problem of electric power and road, pipe water fane place 3rd 3 (5.36%) and the remaining the Telephone problem 2 (3.57%) the respondent threading from the above problem. Financial problem as well as infrastructure problem is the most serious problem that encounter the investors when they participating in investment activities of the town.

Table 4.4 Investors future review

No	Question raised	Alternative offered	No of respondents	Parentage
12	How tax levied on your income	Very high	21	37.5%
		Fair	33	58.93%
		Low	2	3.57%
		Total	56	100%
13	Have you got any skill training about investment since you have started it?	Yes	36	64.29
		No	20	35.71
		Total	56	100%
14	Do you have a plan to continue your investment activity?	Yes	42	75%
		No	14	25%
		Total	56	100%
15	What is your attitude toward the current investment police of the town?	Bad	12	21.43%
		Encourage	44	78.57%
		Total	56	100%

Sources: Self survey, 2019.

As you see from the table 4.4 the major percentage i.e. 33 (58.93%) of the respondents replied that there is a medium tax levied on their income, 21 (37.5%) of them are answered there is a very high tax and small number of respondents means 2 (3.57%) of the respondents replied that low tax levied on their income.

According to many investors ideas, most of them 36 (64.29%) skill development training about investment movement and how to manage their resources and ho to minimize risks i.e. risk diversification in order to achieve their objective goals and 20 (35.71%) of the respondents didn't get skill development training about investment before they had started the investment activates in the town because of the haven't enough time to get skill development and nobody initiate them participate on skill development training program.

As the table 4.4 shows 42 (75%) of the respondents have been planned to continue in investment activates of the town while only 14 (25%) of the respondents have no planned to continue in the investment activates of the town. This implies that the most of the investors have plan to continue their business which seems to have positive relationship with capacity.

According to many investors ideas the current investment policy of the town is encouraging 44 (78.57%) of the respondents said that current investment policy of the town is encouraging if they compare with the previous investment policy of the town end 12 (21.43%) of the respondents said that the current investment policy of the town is bad because of there is discrimination and

corruption is more involved in the investment activities of the town. As the view of the investors for encouraging nature of current investment policy, they argued that the policy had made efforts to improve the operating environments through serious problems of implementations limits the benefits of the policy. However, other considered it as discouraging because of the enormous practical problems of the policy rather than the theoretical attractiveness of the policy. One can see from the study that most investors have good attitude to the theoretical design of the policy than what practically have been done in implementing it. In other words the current investment policy have got theoretical acceptance by most of investors, though it has serious problems of implementation that discouraged investors. This led the researcher to the conclusion that the current investment policy would be more important and through giving emphasis are to the implementation of the policy from work.

As investors suggested the government and investors should express their interest to jointly work together to identify constraints and examine solutions for lack of properly implementing policy.

As conclusion, most investors have many problems regarding source of fund to invest, political instability, corruption, accessibility of financial resources, economic, lack of infrastructure and tax levied on the investors of the town.

5. Conclusion and Recommendation

5.1 Conclusions

Based on the findings stated above the following conclusions are drawn by researcher on the determinants of investments movement and this research set forth with an attempt to the extent of factors that determine investment activities in Akesta town.

The study identified and concluded the factors that are important in determining investment movement and performance in the town. They include most of the factors on which traditional theory has focused such as investment opportunities and resources potential, efficiency of workers, conditions of socio-political and economic environment, access to market, provision of basic infrastructure and the institutional performance in investment policy.

Akesta town had many areas that are unemployed to a maximum possible that open for potential investors and the majority of investors that are found in the town is engaged in commercial activities private investors who want to engaged in investment activities in the town, face difficulties of finance and lack of credits when they started their business.

The investment bureau of the town also did not give much concern to provide receive for the potential investors in the town with in short period of time.

The private investors of the town are affected by many factors to continue their investment activities, they are affected by high tax levied on their income generate and due to low encouragement from the investment offices push them to not continue their investment activities.

Similarly as compared to existing appropriate investment policy opportunities and advantages, the participation of investors in the town especially foreign investors are low. The reason for such poor performance may be due to low capacity of investment in attracting new foreign investors and poor infrastructural such as road, pure water, electric power supply, health center, modern school and building as supply basic necessities.

In additions to the investors listed problems investment officers listed additional investment related constraints are to access finance from the bank, bureaucratic procedures, infrastructure problems and investment awareness problems are additional factors that determine investment activities.

In addition to the above investment activities constraints, there is a few number female investors because of backward cultural female biased in the past and the females are not voluntary to participate on investment activities of the town. This also makes the stable investment activities in the town.

In other words the capacity and skill of government institution in mobilizing both human and natural resources for the growth and developing activities are poor. Since the performance of the government of factors was not satisfactory because of inadequacy of man power, lack of essential materials, skilled labor man and lack of experience in working with private investors especially foreign investors and the society. However, currently some improvement are observed and there is a potential survey being conducted by the office of such as how to initiate foreign investor and women on investors in the investment activities of the town.

5.2 Recommendation

Many measure need to be take to stimulate to the determinants or improvements of investment activities and to solve factors that affect investment activates in Akesta town. Depending on the above findings the researcher would like to forward the following recommendation to both private investors and for investment office of the town.

Investment has come to be widely recognized as a major potential contributor to growth and development for any countries and town. However, investment movements in the town were very low because of lack of infrastructure which contributes significantly to economic development.

- ⇒ Because of infrastructural problem are there (i.e. pure water, inactivity, road hospital telephone) are not available well and it's difficult to investors to invest more in the town. So it is better if the government of the town provide the facility of infrastructure, which contributes significantly to economic development both by increasing the productivity of one's country economy and enhance the quality of standard living of the individual and also the government must initiate the women investors participation and facilitate the smooth police of investment for both domestic and foreign investors by adjusting fair tax and facilitating equally treatments of the town investors.
- ⇒ On the other hand it is fruit able for the government to negotiate with the society to peacefully resolves that problem and its is more advantage for investors to cooperate with the government by increasing the culture of participation in community developments especially infrastructural and human rights.
- ⇒ It is beneficiary for the community of the town if efficiently utilizes the existing resources both natural and human resources to bring a smooth invest climate especially by decreasing the tax levied on the existing investors.
- ⇒ Generally investment related problem is not the responsibility of the government alone, but all investors, the local community, the private business man of the town will get by work together with the government so as to attain the desired objectives.

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