The Determinants of Private Investment In Case of Mekene-Eyesus Administration Town, Ethiopia

Derese Simegnew Alehegn

Addis Ababa, Ethiopia

Abstract: The aim of the study is to identify the determinants of private investment and to assess the source of the problems to private investment in the town. In this study for the data collection purpose both primary and secondary data type was used that include questioner, and key informative interview, the secondary data includes annual report of Mekane-Eyesus town investment office. Accordingly the data has been collected and analyzed based on descriptive method so as to conclude and recommend based on finding. As to the finding, the source for the determinants of private investment is both from investors and government side. The former include financial problem, lack of sufficient know how in the area they were investing, no interest (intention) to take loan due to high collateral requirement. While the later include unfair taxation system, lack of strong monitoring and evaluating bodies and to some extent environment conditions in the town.

Keywords: Private Investment, Mekene-Eyesus, Ethiopia

1.1. Background of Study

According to Ikhiad (1994) investment funds can came from two main sources, domestic and foreign. where there are constraints on foreign saving, resource has to be made to domestic sources, this by itself suggests that polices must be formulated to attract domestic saving if a given level of investment fund is to be under taken in other words to act of saving must be necessarily precedes that of investment.

Capital accumulation is a sufficient condition for a successful development i.e. if a poor country is growing faster its economy must encourage private investment and yields from investment must be higher (shunid t-hebbel and mullar,1991). However, in many countries macro-economic adjustment has not improved the response of private investment. Even when substantial progress has been in correcting imbalance and restoring profitability, the effect on private investment has been weak and slow to occur beyond and which conventional investment theories can explain (Serven and Andre, 1992)

There is a strong association between growth domestic investment ratios and long term growth performance. The success of East Asain economies in achieving rapid and sustained growth the thirty years, 1960 to 1980, has witnessed this. They have been able to maintain rates of GDP expansion on the order of 7%-8% a year, supported by rates of growth capital accumulation of about 30% GDP higher growth and higher investment have thus gone hand in hand (Serven and Solomaon, 1993). Investment is the primary objectives of less developed country, since they have been working to reduce poverty and stared a new way of development. Many economic policies and theories have been formulated and implemented the success of these developing countries, many of these Economic theories and place on and economic development take off by accumulating a necessary capita which also knows as capital formation that enables the nations to facilitate the process of economic growth. Its achievement of economic growth will not be so much different like those countries which are in vicious circle of poverty (world investment report, 1990)

Generally investment particularly private investment is relevant to economic growth in developing countries. It has been argued that marginal productivity of private investment is much higher and thus plays a more important role in the growth process than public investment.

1.2. Statement of the Problem

Private investment is one of the real variables that are including the calculation of the economy. This implies that private investment development measures the performance of an economy's growth and development by its contribution of capital formation, employment creation, technological, innovation market creation etc.

On economy which devotes more of its output on investment and given more focus for private sector investment participation in the economic development through market liberalization or more of free market operation is more successful than that of which have unfavorable environment and less expenditure and investment (Africa development bank, 2000 as cited in nation bank of Ethiopia, 2002-2003).

Since private investment is the primary source of economic growth in Ethiopia, the government alleviating the problem like allocation of land, slow process of privatization program, banks credit to investors and fulfill infrastructural faculty for the investors. The significance of investment to developing countries lies manly to improve the living standard of their citizens by creating employment opportunities, enhance specialization, and acquire large scale of production and technical progress (Nemal static 1992,69 as cited by Dawit 2000).

According to studies made by Elisabeth Asidu 2003, a key challenge facing to developing country is to come up that will keep raise private investment, in order to stimulate and sustain economic growth with a view to draw such determinates like poor level of human capital lack of access to finance, policy uncertainty, cost uncertainty, lack of skilled man power in efficient and ineffective legal system and lack of liberalization.

In consistent to this private investment is a key to sustainable economic growth (khan and Reinhart, 1990:21) and d Devarjan, Eesterly and Pack (2001:82). The aim of this study is to identify the determinants of private investment, like slow process of privatization program, problem of land allocation, back credit to the private investment, lack of infrastructure which is providing by the government like light, road, and water as well as administrative system, and incentive which is provided by the government to investor so as to motivate them.

1.3. Objectives of the Study

1.3.1. General Objectives

The overall objective the study is to identify and assess the determination of private investment in Mekane-Eyesus administration town.

1.3.2. The Specific Objectives

The specific objectives of this study are:

- ❖ To identify the determinants of private investment
- ❖ To assess the sources of the problems to private investment in the town
- ❖ To assess the current private investment in the town
- ❖ To provide the relevant recommendation that could significantly contribute for the ensuring smoothing function of privation investment in the town

1.4. Research Questions

To achieve the intended objectives the researchers designed the following research questions?

- ❖ What are the determinants of private investment in the town
- ❖ What are the sources of the problems to private investment in the town
- ❖ What looks like the current private investment in the town
- ❖ What are the relevant recommendation that could significantly contribute for the determinants of private investment in the case of Mekane-Eyesus administration town

1.5. Significance of the Study

The study has provided certain significances for Investors; to show possible investment areas, for Scholars and researchers who want to use this study as a reference for further study. It is also used for governmental and nongovernmental organizations to determine policies related with taxation system and other related policies.

1.6. Delimitation (Strength) of the Study

In Mekane-Eyesus administration town assess the determination of private investment in town have the following strength:-

- ❖ Goode ensure for money in the use of public fund for investment.

❖ All employees give equal value of investment.
❖ All employees have transparency and fairness decision give investment.

1.7. Scope and Limitations of the Study

1.7.1. Scope of the Study

The study mainly confined the period between 1994 E.C up to now, due to lack of time and resources, the study would delimited in the area of Mekane-Eyesus administration town

1.7.2. Limitations of the Study

The following are some of the limitation of the study:-

When the study has taken out, it has faced by limitations like lack of well-organized information to provide answer with interest from sample respondents.

If this is so occur, it may not accurately reflect the opinions of the whole population. The other limitation was time and resource which is explained as follows. The availability of time to accomplish study was not so much enough, since it was limited only nine months the resource or budget to perform the study was also not enough, it has been studied by researchers who have faced by lack of capital.

1.8. RESEARCH METHODOLOGY

Research methodology is the heart of any research proposal. This is because research methodology has planned to specify the type of research, research procedure, research design, method of data collection, and method of data analysis. So as to make successful its study, the necessary methodology of the study has presented under the following subtitles.

1.8.1. Sample Size and Sampling Technique

There are a total of 14 investor's in the town which are involved in different projects like construction with 5, industry 2, agriculture 2, education 1, hotels and tourism 1, trade 0, and health 3. From those target populations the researchers were taken 10 populations as a sample which is high form the sample size determination developed by Carvalho (1994) as cited by sample Zelalem (2005) in order to increase the accurate representativeness of the sample. The sampling technique that researchers were used stratified because of heterogeneous nature of the investing area, investor's sex and income.

Table: 1   Sample size determination table

Population Size	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	30	80	125
1201-3200	50	125	200
3201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-50,000	200	500	800

Source: Zelalem challenges of rural water schemer, *2005as cited from carvalho (1984)*

1.8.2. Types and Methods of Data Collection

1.8.2.1. Source of Data

In order to get necessary data the researchers employ both primary and secondary source of data.

Primary Data Source

The primary data would collect from primary source through interview, focus group discussion and field observation and questionnaire data collection instruments. The primary data would gather from primary sources of the sample employees, office Managers through structured questionnaire (interview) and focus group discussion.

At the beginning stage of the survey, informal meeting would be undertaken with a group of sample employees in order to understand employees' performance and its effect on the office. The primary data collection method were used to collect information from investors by using interview and questioners whereas, the secondary data source were used to gather information from annual report of investment office.

Secondary Data

The secondary data of the study would gather from secondary source such as published, unpublished documents and website which are related to the problem studied. The researcher will be used to collect data for independent variables from the office.

1.8.2.2. Data Collecting and Instruments

Primary data would collect with the help of structure and semi structure questionnaires, interview and observation. Secondary data were also collect by using document analysis from archives of the organization. Based on these results the questionnaires would administered in face to face situations to the respondents in order to avoid refusal and missing of responses, and clarify if additional explanations regarding how to respond are required. Finally, after the data would be filled, the questionnaires would collect.

Questionnaires:-

To conduct this study adequate amount of data would collect by using multiple data collection tools predominantly by using questionnaires. Questionnaires would develop in English languages for respondents. In order to elicit the necessary data; both questionnaires would construct based on the review of related literatures. It consisted of both close and open ended questions. The questionnaires would distribute to 10 respondents and returned to analysis.

Interviews: -

Interview is one of the instruments used to gather data in this study. In qualitative data collection method, depth interview is an important tool for data gathering process. Interviews are a type of survey where questions are delivered in a face-to-face means encountered by and interviewer. The interview is like a conversation and has the purpose of obtaining information relevant to a particular research topic. The researchers would use structured interview to gather information with human resource manager of the organization and selected staff members.

Documents:-

Documents accessed and analyzed from reports and other archival documents in the office.

1.8.3. Method of Data Analysis and Interpretation

The researcher uses descriptive research method. Because using this method, enable the researchers to assess the impact of training, development and identify the major problems with regard to this area. The data interpretation was by presenting in the form of tabulation and graphs.

1.9. Organization of the Research/Structure of the study

The research would divide in to chapters. The 1st chapter elaborates the introduction part of the study including background and statement problem, objectives, significance, research questions, structure of the study as well as scope and limitation of the study. Chapter two consist literature review; which encompasses the concept and theory of training, employee's organizational effectiveness and factors affecting employee's training. Chapter three deal with the description of the study area and research methodology which includes both qualitative and quantitative research approaches of the study, sampling techniques and data analysis tools.

REVIEW OF RELATED LITERATURE

2.1. Definition of Investment

Investment mostly used to refer the flow spending that adds to physical stock of capital. Investment spending determines rate at which the economy adds to its stock of physical capital and thus helps to determine the economy's long run growth and productivity performance, (Dorn Bush and Fisher, 1994). The term also refers to the expenditure of funds for capital goods such as factories, for equipment to produce other goods and services (world book encyclopedia, p323)

Sustained economy growth and employment generation is necessary for poverty reduction and require enhanced private sector investment that result in economy growth, reduction in poverty and improved quality of life for the majority of the population. Enhancing private sector investment entails enhanced unitization of labor and other resources of the country though growth of private business by providing predictive environment (world book, 2000)

The specification of the private investment and saving determinants can be drawn from empirical literature on investment behavior with appropriate consideration of the structural feather of an economy. Accordingly, kahn and rein heart (1990) argued that growth or exports in a number of developing countries lead to the development of infrastructure,   transportation and communication, which in turn facilitated investment in the production of goods and services. Furthermore, investment opportunities are opened far removed from the actual export activity to supply inputs raises and productive facilities are created utilizing inputs and out puts nonexistent prior to the expansion of exports.

Recent works on development theory emphasizes the role of education and research and development (R&D). Public investment can be course crowding out if it utilizes scarce physical and financial resources that would, otherwise be available to the private sector if it produces marketable output that compute with private output. (Ministry of finance and economic development, MOFAED, 2002)

Furthermore, financing or public center investment whether through high taxes, issuance of new debt, or inflation will lower resource available to the private sector and thus depress private investment activity, such crowding out would work in favor of strategies aimed at cutting back sector investment, as they would create a commensurate increase private investment (Annual report of MOFAED, 2002).

Yet public investment that is related to the development of infrastructure and the provision of public goods can also clearly be complimentary to the private sector, pubic investment of this of the types can enhance the possibilities for private sector and rise the productivity of capital, increase the demand for private output and ancillary service and augment over all resource availability by expanding aggregate output and saving. Consequently it's can be argued that the marginal productivity of private capital reflects the rate of public sector investment (Rem, Rati 1985).

Shumidit Hebbelet (1996) also that the alleged effect of financial repression and low real inters treats are twofold. On one side productive investment is low because, households both decrease savings and increase luxury durable goods consumption; on the other side, the existing founds for the productive investment are allocated in efficiently because, the market price rationing is not at work; firms, not knowing the true shadow price of capital relay on an excessively low, non-market signal.

The opportunity of channeling more founds through the banking sector in order to boost investment and growth has been challenged by many empirical studies on the ground that the intersect elasticity of savings in developing countries might be sizeable enough to grant the efficiency of polices aimed at rising interest rates in order to encourage capita accumulation (Giovannini, Alberto 1983).

In recent decades, African countries have significantly lower private investment levels than other developing countries. These low levels of domestic investment are attributable, in part, to the apparent scarcity of domestic saving, weak and shallow financial system, and high country risk due to unstable macro-economic and political conditions. The idea that underdevelopment, is a problem of too little saving in deeply embedded in the history of development economic. The argument seems that capital accumulation is necessary and sufficient condition for growth and capital accumulation is almost synonymous with saving, the root to development is then one of rising saving rations (Deaten, 1990)

According to Dorn Bush and fisher, investment spending is important since it contributes too much of the movement in the business cycle, when expenditure for goods and services falls during recession, much is due to drop in the investment spending therefore, it is important to assess investment behavior to better understand fluctuations in the economy's put of goods and services.

Development theories have long regarded the accumulation of physical capita as an engine for growth. Certainly, the notation that the raising the investment rate is key increase long ran growth has been at the heart of growth thinking since the time of David Ricardo.(bank of Bostwana 1997)

As citied in Todaro 1994 rostow in this "stage theory" argued that the mystery of economic growth and development is simply a matter of increasing national saving and investment. He puts five stages of development that every country should pass. In this sense LDS are in the second phase, which is the precondition to take off in this stage, countries require three things, of which a minimum social overhead capital is the one.

Thus sufficient amount of saving is required to finance investment, especially in infrastructure education, heath, electricity, etc. The raised at this stage is important stage that LDCs, have to devote themselves in coordinating resource both from local and foreign resources, they need assistance from developed world as did "martial plane".

Keynes in his "General theory" introduced the idea of an independent investment function in the economy. He argued that investment depends on the prospective marginal efficiency of capital relative to some interest rates, reflecting the opportunity cost of investment.

He also pointed out that investment decisions are made on an uncertain   basis. Thus, he argued private investment is intrinsically volatile since any rational assessment of the return of investment was bound to be highly uncertain.

Hence, he said, investment decisions are very much affected by how optimistic or pessimistic the investors feel. This he described as the "anima spirit" which implies there may be no good basic for the expectations on which investors base their decisions, without of investment could well change along with the expectations.

Various models have been used to explain the investment behavior, mostly based on the experience of the developed countries. Following Keynes investment theory developed around growth models born to "accelerator theory" according to the theory investment is a linear proportion of because it disregards the role of profitability importance of expectations and the cost of capital as determinants of Kuttisian (macro Economics theory and policy).

(workiematiku1997) private investment response among the low income (sub Saharan African) countries in addition to macroeconomic stability is surely also constrained by long term factors a worker human capital base, inadequate and often deteriorating infrastructure less diversified economics and poorly functioning institution and factors market.

Pefefferman and Madarassy (1993) studied the determinants of private investment in to positive and discouraging factors and growth of domestic demand and availability of finance i.e Increase of credit of private sector are found to be positive factors for private investment.

The study has also classified factor such as public investment and the real interest rate is uncertain factors, i. e, there effects can be determined.

Tobin's Q theory (2996), postulates that the main force driving investment is the Q ration or the ration of the market value of the existing capital stock to its replacement value. That is to say the entrepreneurs well want to invest (divest) if the increase in the market value of additional exceeds (fall short of) the replacement cost. However, the marginal Q is not easily measured and thus what is used steady is the ratio of the market value of the entire existing capital stock to its replacement cost, i. e. the average Q ratio. But there are problems associated with use of average Q according to able (91980 and Hayasha 91982), if firms enjoy economies of scale or market power or if they cannot sell all they want, marginal Q will certainly differ Industrial Economics hand out)

Tobin's Q theories of investment are not applicable in LDCS because of the restrictive assumption on which they are based e.g. perfect capital market, perfect how of information little or no government investment. Typically thus countries do not have equity

markets and have for a long time suffered financial repression, debt overhang and a dominant role of imported capital goods and macroeconomic instability (Agenor and Montie, 1996)

Though the factors act as a barrier to private investment they are often not incorporated in traditional model of private investment e.g. private investment in LDCS face enormous financial and physical resources constraint e.g. credit and infrastructure, which are normally not considered in the traditional models (Agenor and Monteil 1996).

Research has made on departure from the traditional net present value (NPV) rule, which says that one should invest when the purchase and installation cost equals the expected return. This is because it ignores the reversibility and option of delaying an investment the hew theory

Emphasizes that the anticipated return on new investment project, must exceeds the purchase and installation cost by an amount equal to the value of keeping the investment option value live [Schmidt Serven and Solimano 1996]. A Study (survey) in Ghana shows the importance of the elements a 1990 survey of 31 large form and 82 micro and small enterprise in Ghana show that the main constraint to investment response at the micro cruel has been the lack of both working capital and credit to finance expansion. [Addis ZemenGazeta, Sep 20,2001]

Another factors identified as important for current production and investment is the availability of raw materials, though this may be related to the lack of working capital insufficient internet demand, associated with import liberalization, was also considered as an important constraint by both large and small firms. Medium and large scale firms responds that the regularity of environment had become more supportive of business and was a significant factor in boosting private investment (Mankiw, 4th edition). According to Dixit and Pindyck (1994), most investment decision has three important characteristics.

First they irreversible in that the initial cost of investment at least partially as sunk cost and cannot be retrieved. Secondly, there is uncertain over the future records from the investment hence the best an investor can do is to assess the probabilities of the alternative out comes that can mean greater or smaller profit (loss) for his venture.

Thirdly, the investor have some leeway about the timing of the investment hence he can postpone the investment to get more information about the future. These three characteristics interact to determine the optimal decisions of investors. The argument then is that, real world investment seems much less sensitive to factors such as interest rate and policy changes but move sensitive to the volatility and uncertainty or the economic environment. The uncertainty may be on future profit fluctuation in production price input cost exchange rate, text and regulatory policies (Dixit and Prindyck, 1994).

2.2. Factors that Affecting Private Sector Investment

2.2.1. Good Investment Climate

The expansion of private investment requires peace and macroeconomic stability. The former is the key factor for investment attraction and sustained economic development. Investors used free and fair condition to be purchasing productive capacity. They also need to have condition where contracts and property rights are level. While the latter can be achieved through adopting sound policies that help to lower inflation, lower interest rate and realistic exchange rate and privatization(Annual report of MOFAED, 2002).

2.2.2. Investment Finance

The availability of financial management, transparency, efficiency and equitability of access is the key factors enhancing private sector development. Efficient management or investment finance concerns both the financial institutions and private sectors operators who use resource for business development. Beside on transparency and objective evaluation is an essential element for all players in financial sectors will function of financial intermediaries in the absence of security market is critical. So as to improve information and skill about credit, collateral evaluation and cash flow analysis is important (MOFAED, 2002).

2.2.3. Adequate Infrastructure Service

The provision of good quality infrastructure service particularly telecommunication, electricity, water and logistics is essential for the efficient operation of private sector. It helps to integrate in the global market that helps to increase competitiveness of investors.

2.2.4. Institution that Run and Support Private Sector

In a country where the private sector development is at its infancy it is essential to establish public sector institution that gives research and development so as to get rid of the perceived handicaps of the sector.

2.2.5. Access to Land

Land is an important input for investors so as to implement their project. Since it is fixed asset and it is not possible to increase its supply, government should adopt sound policy such as establishing land lease policy and establishing industrial zone that help to improve land provision process to inventors.

2.3. Problems of Private Investment in Ethiopia

2.3.1. Low Level of Saving

The specification of the private investment and saving determinants can be drawn from empirical literature on investment behavior with appropriate consideration of the structural feature of an economy. Economic investment necessitates a corresponding level of saving mobilization either domestic or external.

However, in Ethiopia context, the level of domestic saving is necessary for the level of investment is very low. Hence, owning to the reform program, the private sector activity in industry, trade and transport have improved considerably. All of which owning to the removal of major distortion and re-orientation in the incentive structure of the economy in favor of tradable good and private sector. The simultaneous under taking of measures to remove structural and other rigidities that continue to inhibits quick private sector response to saving and investment (Gulilat, 1994).

In the case of Ethiopia, like any other country, determinant of private investment include both economic and non-economic factors. Domestic credit constraints that are peroxide by credit availability, problem of infrastructure implied by the low public investment expenditure, entrepreneurial capacity of the society in the situation of risk and problem of land acquisition, both establishment of new firms and market place, are some of the economic factors whereas problems caused by administrative bottlenecks and government policies that could not create confidence among the public mainly because of the experience of bad policies in the past are non-economic factors (Adugna, 1996).

2.3.2. Inaccessibility of Credit

The main source of found for investment is lands from financial institutions. But the development of his institution is not well and adequately available in the country on the other hand relatively high collateral requirement suppress the incentive of private sectors. In addition these institutions usually provide shorter loan rather than term development loan (MOFAED, 2002).

2.3.3. Lack of Infrastructure Facilities

The existing development of infrastructural facility in Ethiopia to sustain now economic activates is not adequate. The availability of road, electricity, water and telecommunication is not sufficient. Investors have difficulties to acquire power water and telecommunication service to operate investment activates. Besides the bureaucratic nature to obtain this service is frustrating and tremendous (Annual report of MOFAED, 2002).

2.3.4. Lack of Institution Support

Absence of institution that provide information about market trends production technology marketing techniques price of imputes and new investment opportunities makes information to be scattered and not to be readily available.

2.3.5. Absence of Effective Demand

Low living condition in the country and low income of the society the demand for new technology and modern product is low which kill the intention of investors to invest in some new business area.

2.4. Kind of Investment

There are two main kinds of investment; those are direct and indirect investment.

2.4.1. Direct Investment

Direct investment involve investing in a business or real state, putting money is saving accounts or buying stocks or bonds (World book, 2001). Before making may investment people should learn as much as possible about how the money they are investing will be used people should also assess what the expected retune will be from an investment.

Because a very investment entails risk or possibility of loss one should carefully examine the expected return in relation to the risk involved. Some investments promise high returns but offer little safely. Others promise low return but provide almost complete safety. A person should also consider whether an investment can be liquidated if an unexpected expense arises.

People should consider much type of investment such as stocks and bonds only if they are willing to incur the risk of losses. They should also have enough secure saving to protect themselves against any temporary loss of income resulting from illness or unemployment. Such as:

1. Dividend
2. Face value
3. Income
4. Interest
5. Market price
6. Par value
7. Premium
8. Share
9. Stock exchange
10. Direct investment
11. Business investment
12. Real state

2.4.2. Indirect Investment

Indirect investment involve fund that flow through finical institution in such forms as saving accounts and stocks and bonds. Though, these types of investment banks and other finical institutions channel saving in to loans of or direct investment.

Saving accounts:- are common kinds of investment funds deposited in saving account at a bank credit union or savings institution cairn interest at specified annual rate. Most banks offer money market accounts certificates of deposited and other special saving plans. Money market accounts pay other special saving plan.

Money market accounts pay a rate of interest that reflects conditions in the money market where short term government and cooperate securities is traded. Found deposited in a certificate of deposited cannot be withdrawn without penalty for a specified period, such as one or two years. Both types of accounts typically pay a higher rate of interest than regular savings accounts.

Most Banks and saving institutions are privately owned and operated for a profit (Credit union, in contrast, is not for profit cooperative organizations operated for the benefits of member). All net earning learning's minus are passed on to member in the form of lower loan costs or higher returns on deposits.

RESEARCH MATERIALS AND METHODS

3.1. Description of the Study Area

Mekane-Eyesus administration town is found in Amara national regional state 114km far from east of Bahir Dar city. It is also 679km west of north far from the capital city of Ethiopia Addis Ababa city.

Mekane-Eyesus administration town is located in an altitude of 1800 meters above sea level. It has a flat topography with varying slopes. Generally, the topography classified as 70 percent flat, 16 percent sloppy and 14 percent mountainous. Currently the city has a total area of 27,061.25 hectares of land. However, only 12,000 hectares of land is included in the master plan. Average annual temperature of the city is 36^0c and average annual rain fall is 1480 mm. Wanka river crosses the city south – west direction. However, 87% of the city land area is suitable for building construction.

3.2. Research Methodology

3.2.1. Research Design

It is obvious that based on the data that the researcher collects; research design can be classified in quantitative and qualitative approach (Yalew 2006). Therefore, it is becoming popular that combination of both quantitative and qualitative research approach employed in social research. For conducting research in the topic under investigating, the researcher will use both qualitative and quantitative approach. The qualitative approach will be employed for gathering information through in depth - interview, focus group decision and field observation. The quantitative approach on the other hand, will be used for gathering quantified data about the assessing the impact of training and development on employees performance and its effect on organizational performance.

3.2.2. Data Analysis Method

This research wills the determinants of private investment in case of Mekene-Eyesus administration town, Ethiopia. The researcher will organize the collected data through table, chart and graph. After organizing the data; the researcher will be analyzed the collected data by using qualitative and descriptive statistics method.

3.2.2. Data Analysis and Interpretation

This section presents some of the key finding of the study concerning to the determinants of private investment. The study has covered several issues to the determinants of private investment. As elaborated attempted was made within individual capabilities to identify the determinant factors through primary and secondary data studies. While the first part of the study attempted to identify the determinant of private investment in Mekane-Eyesus town by an extensive review of the existing literature.

The second part incorporated more important issue to identify the determinant of private investment like: slow process of privatization program, problem of land association, bank credit to the private investors, lack of infrastructure which is providing by the government like water, electricity, road, administrative system and incentives which is provided by the government to investor so as to motivate the investors to invest in Mekane-Eyesus town.

The data pertaining to this issue were collected by using questionnaires and key informative interview. The questionnaires and key information interview delivered to investors and managers respectively. Even though 30 questionnaires has been distributed to private investors who has engaged in seven different projects, 30 questionnaires has collected. This shows that about 100% of the questionnaires which were distributed have given appropriate answer by respondents and return to the researchers.

3.2.2.1. Characteristics of Respondents

Table 1: percentage distribution of respondents with respect to sex

No	Sex	Respondents	
		Number	Percentage
1	Male	6	60%
2	Female	4	40%
Total		10	100%

Source: Own survey, 2019

As it shown the above table, 6 (60%) of the respondents were males whereas the remaining 4 (40%) of the respondents were female. From this analysis, it is possible to infer that males are dominant in investment area.

Table 2: Percentage distribution of respondents with respect to age

No	Age	Respondents	
		Number	Percentage
1	Below 20	1	10%
2	20-25	2	20%

3	26-30	3	30%
4	Above 31	4	40%
Total		10	100%

Source: Own survey, 2019

As it clearly shown in the above table, the majority of private investors, 4 (40%) were belongs to the age group of above 31 years whereas, 3 (30%) were belongs to the age between 26 and 30 years and 2 (20%) belongs to the age group between 20 and 25 years but the remaining 1(10%) found in below the age of 20 years. So it is possible to infer that even if the private investors were categorized under all age groups the minority of private investors were below 20 years.

Table 3: Percentage distribution of respondents with respect to material status

No	Marital Status	Respondents	
		Number	Percentage
1	Marriage	5	50%
2	Un marriage	2	20%
3	Divorced	3	30%
Total		10	100%

Source: Own survey, 2019

As it is clearly shown in the above table, the majority of private respondents, 5 (50%) were marriage. This implies that those individuals who has engaged in private investment activity have managed their ways of life successfully by establishing family, whereas 2 (20%) un marriage, even though 3 (30%) were divorced.

Table 4: Percentage distribution of respondents with respect to educational level

No	Educational level	Respondents	
		Number	Percentage
1	Grade 1-8	1	10%
2	Grade 9-12	2	20%
3	Diploma	2	20%
4	Degree	4	40%
5	Master	1	10%
Total		10	100%

Source: Own survey, 2019

As it is clearly shown in the above table, the majority of private respondents, (40%) of them has found in degree holders, whereas 2 (20%), 2 (20%), 1(10%), 1(10%) in grade 9-12, diploma, degree and master respectively. Therefore it is possible to say that the majority of private investors were enough literate. This implies that so as to involve and to be successful in investment activity it is advisable to be educated.

Table 5: Percentage distribution of respondents with respect to monthly income

No	Monthly income	Respondents	
		Number	Percentage
1	Below 1000	1	10%
2	1000-2000	1	10%
3	2000-3000	1	10%
4	3000-4000	4	40%
5	4000-5000	2	20%

6	Above 5000	1	10%
Total		10	100%

Source: Own survey, 2019

As it is clearly shown in the above table, the majority of private respondents, 4 (40%) of them monthly income were found in between 3000-4000, whereas 2 (20%) of the investors income were found in between 4000-5000, 1(10%) of the respondent income were in between 2000-3000, 1(10%) of the respondents income were in between 1000-2000, 1(10%) of the respondents income were above and below 5000 and 1000 respectively. Here it is possible to say that individuals who have involved in private investment have got a moderate monthly income.

3.2.2.2. Questionnaires' Analysis

Table 6: Percentage distribution of respondents with respect to their own investment project

No	Item	Choice	Respondents	
			Number	Percentage
1	Which one is your investment project	Education	1	10%
		Agriculture	1	10%
		Health	1	10%
		Trade	1	10%
		Hotel and Tourism	2	20%
		Construction	3	30%
		Industry	1	10
Total			10	100%

Source: Own survey, 2019

As it is clearly shown in the above table, from the respondents of the project, 30% and 20% construction, and hotel and tourism industry respectively.10% agricultural, inductions, trade and health are equal contribution. This shows that construction was taken high percentage because of expansions of urbanization in the town. From this analysis it is possible to infer that government has given a special attention or emphasis to agricultural investors, because of government policies and strategies focus on agricultural lead industrialization.

The implication of this analysis is that the special attention of government is not equal for all projects, so government emphasis is considered as the determinants of private investment. As the findings on literature review infer that varieties of infrastructures provided by government are vital for the development of private investment, but here government has given special attention for some projects than the other. So as to sustain the development of private investment, the researchers infer that the government has to provide emphasis and infrastructure for all projects fairy.

Table 7: Percentage distribution of respondents' responsibility

No	Item	Choice	Respondents	
			Number	Percentage
2	What is your responsibility in the project	Project manager	2	20%
		Only owner of the project	1	10%
		Act as an employee in the project	5	50%
		Advisor for the project manager	2	20%
		Other responsibility	-	-
Total			10	100%

Source: Own survey, 2019

From this analysis the researchers infer that most respondent who have filled and return the questioner were employees of the project who covers about 5 (50%) of the total respondents. The remaining 2 (20%), 1 (10%) and 2 (20%) were engaged in the project as a project manager, only owner of the project and advisor for the project manager respectively. There are no other responsibilities from sample respondents.

Table 8: Percentage distribution of respondents answer regarding the government emphasis to the project

No	Item	Choice	Respondents	
			Number	Percentage
3	What is your responsibility in the project	Education	1	10%
		Health	1	10%
		Hotel and Tourism	2	20%
		Agriculture	3	30%
		Construction	1	10%
		Trade	1	10%
		Industry	1	10%
Total			10	100%

Source: Own survey, 2019

As it is clearly described in the above table there were projects which have given more emphasis by government. This evidence show that government has given special emphasis to agriculture project which contain 3 (30%) and followed by education, industry, hotel and tourism, health, trade and construction which contain 10%, 10%, 20%, 10%, 10% and 10% respectively. From this analysis it is possible to infer that government policies and strategies focused on agricultural lead industrialization.

The implication of this analysis is that the special attention of government is not equal for all projects, so government emphasis is considered as the determinants of private investment. As the findings on literature review infer that varieties of infrastructures provide by government are vital for the development of private investment, but here government has given special attention for some projects than the other. So as to sustain the development of private investment, the researchers infer that the government has to provide emphasis and infrastructure for all projects fairy.

Table 9: Percentage distribution of respondents answer regarding personal capital

No	Item	Choice	Respondents	
			Number	Percentage
4	Before starting the project do you have your personal capital?	Yes	8	80%
		No	2	20%
Total			10	100%

Source: Own survey, 2019

As it is clearly shown from above table, the researchers known that the majority of investors 8 (80%) of them had their own personal capital.

The remaining 2 (20%) of those investors have gained from other sources which will be presented in the following question. Therefore the study concludes that the majority of inventors have fulfilled their own capital to begin their project. The implication of this analysis is that there were collateral requirements to gain loan from government and other financial institutions.

Table 10: Percentage distribution of respondents answer with regarding to financial capital

No	Item	Choice	Respondents

5	If your answer is "No" in question No 4 where did you get financial fund to be began your project		No	%
		From government	-	-
		From your family	7	70%
		From banks	2	20%
		From other financial institution	1	10%
		All	-	-
Total			10	100%

Source: Own survey, 2019

As it can be indicated from the above table, those respondents who responded no were start the project by their own personal capital have gained financial fund from different sources. Among the respondents 7 (70%) of investors who gain financial fund from their family, 2 (20%) of investors who gain financial fund from bank and 1(10%) of investors who gain financial fund from other financial institution. The implication of this analysis is that financial fund and loan which is gained from government and other institution is low when compared to that of loan gained from their family.

Table 11: Percentage distribution of respondents answer with regarding to conducive for environment

No	Item	Choice	Respondents	
			No	%
6	Is the environment conducive for investment?	Yes	7	70%
		No	3	30%
Total			10	100%

Source: Own survey, 2019

As it is clearly shown the above table most respondents stated that the major motivation factor that lead to engaged in private investment in Mekane-Eyesus town is that the existence of conducive environmental for their project. Therefore it is possible infer that the weather condition and other environmental situations were suitable for the majority of investors 7 (70%) of them, but the remaining 3 (30%) there is no conducive for environment to investors because there is no enough to much industry center for exchange products and services, and long process of land provision to start investment activity after getting land.

Table 12: Percentage distribution of respondents answer with regarding to factors motivating private investment

No	Item	Choice	Respondents	
			No	%
7	Which factor motivates private investment here in Mekane-Eyesus?	Easily access to land allocation	1	10%
		Financial incentive by government	1	10%
		Society attitude	1	10%
		Infrastructure	1	10%
		All factors	6	60%
Total			10	100%

Source: Own survey, 2019

As it can be indicated from the above table, the major motivational factor that leads to become in private investment were their easily access to land allocation 1 (10%) financial incentive by government 1(10%), society attitude 1(10%), infrastructure 1(10%) and all of them factors 6 (60%). The implication of this analysis is that almost all factors which have been listed above were responsible for investing in Mekane-Eyesus town.

Table 13: Percentage distribution of respondents answer with regarding to support about society

No	Item	Choice	Respondents	
			No	%
8	Is your project is supported by the society?	Yes	7	70%
		No	3	30%
Total			10	100%

Source: own survey, 2017

The above table shows that most respondents 7 (70%) of respondent were encouraged by the society. The remaining 3 (30%) have no positive attitude to the project because the society were considered the investors as they stand only for the sake of profit rather than customer satisfaction. It is possible to infer that 7 (70%) of respondents supported the project because, to accommodate raw material availability, to advice the project ideally or financially, to create a good customer relation with regarding to their services or products, to lend finance and to display promotional task for the project.

Table 14: Percentage distribution of respondents answer with regarding to beneficial for the society

No	Item	Choice	Respondents	
			No	%
9	Is your project is benefit for the society?	Yes	8	80%
		No	2	20%
Total			10	100%

Source: Own survey, 2019

As it is clearly shown the above tables the majority of 8 (80%) respondents were said the project will benefit the nearby society in the way that by creating job product and service at the right time and price and other similar opportunities. Whereas 2 (20%) of the respondents were responded the project will not provide benefit the nearby society, because there is no use or utilize full capacity. There is no available well trained manpower available in the market.

Table 15: Percentage distribution of respondents answer with regarding to challenge of investors

No	Item	Choice	Respondents	
			No	%
10	Which of the following problem has challenged the current status of the investors?	Related with infrastructure	1	10%
		Government support	1	10%
		Finance	1	10%
		License problem	1	10%
		System of administrative	1	10%
		All	5	50%
Total			10	100%

Source: Own survey, 2019

It is clearly shown that most private investors currently have faced with different challenges. From those investor's problem 1(10%) of system of administrative, 1(10%) of government support, 1(10%) lack of finance, 1(10%) of related with infrastructure, 1(10%) percent of license problem, and all of them combine factors were more challenged for investors to run the project, means that from the total respondents 10 (100%), 5(50%) of them have faced with all problems.

Table 16: Percentage distribution of respondents answer with regarding to challenge of investors

No	Item	Choice	Respondents	
			No	%
10	Which of the following problem has	Suitable for environment	1	10%

challenged the current status of the investors?	Raw material availability	1	10%
	Enough to much land allocation	1	10%
	All	7	70%
Total		10	100%

Source: Own survey, 2019

As it can be shown, according to opportunity attract private investment in Mekane-Eyesus town, the major opportunities that lead to penetrate in investment areas were their suitable for environment 1 (10%), raw material availability 1 (10%), enough to much land allocation 1 (10%) and all of combined factors 7 (70%), the implication of this analysis is that raw material availability the leading once opportunities.

Table 17: Percentage distribution of respondents answer with regarding to impact of taxation system for the project

No	Item	Choice	Respondents	
			No	%
9	Does the tax system have direct impact on your project?	Yes	9	90%
		No	1	10%
Total			10	100%

Source: Own survey, 2019

As it is clearly stated in the above table, taxation has influenced majority of respondents 9 (90%) of the investor's project. This shows that, there is unfair taxation system in the town. The remaining 1 (10%) of the investors said that there is fair taxation system in the town. Since there is the presence of unfair taxation system, investors were discouraged to invest.

3.2.2.3. Information obtained from concerned bodies through key informative interview
Since the question were prepared through key information interview, no need for presenting those questions. For the study purpose interview has been conducted to head of concerning body primarily from Mekane-Eyesus investment office. The overall sum of their response was summarized below. Since the establishment of the office which was in 1996; the office has played a great deep roles in making to create the investment environment favorable for investors according this gives investment license after evaluating project proposal of investors; monitoring investment activities and taking measures on investors who do not respect rules and regulations; in addition to this the office gives some professional advice to investors about profitable investment area. Continue this role of the office; the investment condition for the last year up to now has shown increasing trends that there were only 5 1998; but there were increased to 7, 9, 11, 12 and 13 project (private investment sectors) in the year 1999, 2000, 2001,2002 and 2005 E.C respectively. This indicates that private investment in the town rapidly increased due to all most public investment changed in to private sector and also the government more emphasis to private sector actively even though continue this trend; some problems faced the investors towards private investment like; lack of finance on investment; lake of proper know how in the area they are investing; long provision to start investment activity after getting land.

The region has greater potential for expansion of investment activities, this is fact but they were not using their resources properly. In addition, the existence of high water supply; communication service, electricity and banking are greater opportunity for investors to select the best environment area, but regarding infrastructure such as transportation (road) the town has deep rooted problem that will be expected to be solved with in short period of time in the near future.

SUMMARY CONCLUSION AND RECOMMENDATION

4.1. SUMMARY
The research discussed the introduction part that is background of study, statement of the problem, objectives of the study, significant of the study and limitation of the study are written in chapter one. In chapter two there is literature review of the paper that is related to my work. In the 3rd chapter data analysis and interpretation and also the fourth chapter summery, conclusions and recommendations are present.

In generally, the tax system has 90%direct impacts on the investment of the investors and also 80% of investment was benefited to the society.

4.2. CONCLUSION

On the basis of major findings of the study; the following conclusion were drawn by the researchers. Different authors in the area of private investment argue that; private investment is relevant to economic growth in developing countries. However; there are different factors which affect the private investment activities such factors are both in the government side and in the investors' side. That means even if private investor has involved in different investment activities such as agriculture; investment activities such as agriculture; construction, heath, trade, education, industry and hotel and tourism, it is not smooth due to different factors. Those factors were come from both on government side and on private investor's side.

Like of finance was found to be one of the challenges for the investment activities from private investor's side. Some private investors did not have an intention to solve this problem by asking and taking loan from banks and other financial institutions; due to the existence of high collateral requirement. The other factor which has serious influence on the efficiency of the activity is that, some investors have invested their capital in the project where they did not have proper know how. The taxation system has also direct influence on investment activity.

Even if the country has followed progressive tax collection system, tax collectors could not know the situation of market and profitability of each individual investor. From the government side, there is also absence of strong coordinating; monitoring and evaluating organ which made private investors to be reluctant about their activity is one major factor for investment activity. Due to fragmented nature of land and non-applicability of leas policy, there is shortage of land bureaucratic nature to get it.

Generally even if the town is suitable for investment it is challenged by lack of government support, lack of finance, lack infrastructure, difficulty of administration system, license and other related problems. Therefore one can conclude that the town is suitable for investment, but due to the existence of problems which come from both government and investor's source, the investment activity is not smooth. In addition to those conclusions, there could be infer that almost all projects were identified providing various opportunities to the society in the way that by creating job opportunity, by act as supplier of raw material at the right time and price as well as by providing other direct and indirect benefits for the society.

4.3. RECOMMENDATION

On the basis of major findings of the study, the researchers would to forward the following recommendation. Finance is skeleton for any investment activities, it is essential that lending institution including bank should make desirable rearrangements on their process, such as reducing their collateral requirement and charged interest rate on borrowers. So as to score efficiency among investors, it is better that consistent professional advice should be providing to those investors with the settled regular time interval. Since unfair tax is an obstacle for the efficiency of investors, the government have to spread out fair taxation system by considering and identifying the income and profitability of those investors. So as to solve the shortage of land in the town, the government should practice with the implementation of lease policy.

Generally the integration between investors, government, society and other concerning bodies, that support, monitoring and evaluate investment activities should be strengthen as to encourage investment activities. Regarding infrastructure such as transportation the town has deep rooted problems so the governments should be improved this problem.

REFERENCE

Abiola, M.O. (1992). "*Management: People, Performance and Result". Nigerian Institute of Management Journal*, 28/2, 28-30Aborisade, R. and Obioha, E.E. (2009)1998.

Armstrong, M. (1996), *A Handbook on personnel management practice*, 5th edition.London:kogan

Chris A., (2010), *How contributor relationship between training and employee performance*.

DonaldNickels,M.A,(2009),*http://blongs.payscale.com/componsation/2009/09/effeets-of-training-on-employee-performance.html*

Yale Endawoke (2006). *Basic Principle and Application of Research Methodology*, Addis Abeba, Ethiopia: Alfa Printing press.

Deation Angus (1990) "saving in developing countries: theory and evidence" proceedings of the World Bank annual conference on development Economics, 1980

Dorn bush and Fisher, (1994) macro-economic theory and policy, New Delhi

Elisabeth Asiedu, (2003), foreign direct investment to Africa: the role of government policy, governance and political instability, university of Kansa.

Fry M.J, (1993), foreign direct investment in macroeconomic, framework finance efficiency. Incentive and distortion, the World Bank.Domestic private investment in Africa an empirical analysis.

Ministry of finance and economic development, 2002 "sustainable development and poverty reduction program", page: 108-112

Nemalshatic, (1992), "reviving private investment in developing countries empirical study and policy lesson", North Holland, Amsterdam.

Oshikoya J, (1994), Macroeconomic determinant of private investment

Serven.L and andressSoimano (1992), private investment and Macro-Economic adjustment: a survey, the World Bank research observer.

World Bank investment report (1999)

Shumidt Hebbel and Tobin's Muller, (1991) private investment and macro-economic adjustment in Moroco, World Bank working paper.