

Determinants of Domestic Private Investment Performance: Evidence from Sheger City Administration, Ethiopia

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Abstract: This study examines the determinants of domestic private investment performance in Sheger City Administration, Ethiopia, focusing on infrastructure, access to finance, political stability, the regulatory environment, and exchange rate stability. A mixed-methods approach was employed, combining quantitative and qualitative data. Primary data were collected from domestic private investors using structured questionnaires and semi-structured interviews, with respondents selected through stratified random sampling. Of the 200 questionnaires distributed, 190 were validly returned, yielding a 95% response rate. Quantitative data were analyzed using descriptive statistics, correlation, and multiple linear regression, while qualitative data were analyzed thematically. The regression model was statistically significant ($F = 61.380, p < 0.001$) and explained 62.5% of the variation in private investment performance ($R^2 = 0.625$). All five predictors exhibited positive and statistically significant effects. Exchange rate stability emerged as the strongest predictor ($\beta = 0.396, p < 0.001$), followed by access to finance ($\beta = 0.205, p = 0.002$), infrastructure ($\beta = 0.152, p = 0.016$), political stability ($\beta = 0.144, p = 0.044$), and the regulatory environment ($\beta = 0.033, p = 0.033$). The findings indicate that private investment performance depends on an integrated investment climate combining macroeconomic stability, financial accessibility, reliable infrastructure, political predictability, and effective regulation. The study recommends coordinated policy interventions to strengthen these interconnected determinants and promote sustainable domestic private investment.

Keywords: Domestic Private Investment; Investment Performance; Investment Determinants; Exchange Rate Stability; Access to Finance; Sheger City Administration

1. INTRODUCTION

1.1 Background of the Study

Private investment plays a fundamental role in promoting economic growth, job creation, innovation, and sustainable development by enhancing capital formation, productivity, and economic resilience. A favorable investment climate characterized by political stability, supportive policies, adequate infrastructure, access to finance, and effective institutions is essential for attracting and sustaining private capital. Both theoretical and empirical studies emphasize that private investment contributes significantly to economic performance by expanding productive capacity, increasing employment opportunities, and supporting poverty reduction (Solow, 1956; Khan & Reinhart, 1990; Zou, 2006; Akcay & Karasoy, 2020). Similarly, public investment complements private investment by addressing market failures, providing essential services, and creating conditions that encourage private sector participation in economic development (Ozoh et al., 2016). Despite its importance, the contribution of private investment to structural transformation and sustainable development has not been fully realized in many developing economies, including Ethiopia (Bessie, 2022).

In Ethiopia, particularly in Sheger City Administration, private investment performance remains constrained by multiple institutional, economic, and regulatory challenges. Previous studies identified factors such as unclear land policies, political uncertainty, weak institutional capacity, inefficient investment service delivery, limited investor capacity, inflation, exchange rate instability, financing constraints, and regulatory barriers as major obstacles

affecting private investment expansion (Demeke, 2001; Khan & Kumar, 1997; Siraj, 2014; Kuma, 2012; Esubalew, 2014; Mamo, 2016; Wassihun, 2018). Recent evidence from the Sheger Investment and Industry Office (2025) indicates that only 54% of registered private investment projects have become operational, while 46% remain inactive, highlighting persistent implementation challenges. Therefore, this study seeks to examine the determinants influencing private investment performance in Sheger City Administration, focusing on critical factors such as infrastructure, access to finance, political stability, and the regulatory environment to provide evidence-based recommendations for improving the investment climate and supporting sustainable economic development.

1.2. Research Questions

1. How do economic factors, including infrastructure availability, access to finance, and exchange rate conditions, influence the performance of domestic private investment in Sheger City Administration?
2. To what extent does the institutional environment, including political stability and the regulatory framework, affect the performance of domestic private investment in Sheger City Administration?
3. Which factors significantly determine the performance of domestic private investment in Sheger City Administration, and what policy measures can enhance the investment environment?

RESEARCH METHODOLOGY**3.2 Research Design**

This study employed descriptive and explanatory research designs to examine the determinants of domestic private investment performance in Sheger City Administration. The descriptive design analyzed existing investment patterns, while the explanatory design examined relationships among key variables and their influence on investment performance (Smith, 2018; Jones & Taylor, 2020). The combined approach provided evidence for policy recommendations and strategic decision-making (Adams & Liu, 2019).

3.3 Research Approach

This study employs a mixed-methods approach, combining quantitative and qualitative methods to examine the determinants of domestic private investment performance. The quantitative method measures relationships among

variables, while the qualitative method explores stakeholders' experiences and challenges.

3.4 Sampling Design

Sampling design refers to the process of selecting a subset (sample) from a larger population to participate in a study. The aim is to ensure that the sample accurately represents the population, enabling researchers to make valid inferences about the larger group. The design of the sample plays a crucial role in the reliability and generalizability of research findings.

3.4.1 Population and Sample

The study targeted 3,066 licensed domestic private investment projects registered by the Oromia Investment and Industry Office and Sheger City Investment and Industry Office across different sectors. The sample size was determined using the methodology of Carvalho (1984), cited in Tamirat (2007), to ensure adequate representation.

Table 1: Sample size determination

Population	Sample Size Selection		
	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	32	80	125
1201-3200	50	125	200
3201-10,000	80	200	315
10,001-35000	125	315	500
35001-150,000	200	500	800

Source: Carvalho, 2007

The study targeted a population ranging from 1,201 to 3,200 individuals, for which Carvalho's table recommends a sample size of 200 to achieve high precision. Accordingly, a sample

of 200 was selected to ensure the reliability and validity of the results, balancing statistical rigor with practical considerations.

Table 2: Sample size proportion for each investment sectors

No	Sector	Population	Expected Sample size	Percentage Share
1	Industry	1787	117	58.5
2	Service	1137	74	37.0
3	Agriculture	142	9	4.5
	Total	3066	200	100.0

Source: Sheger Investment and Industry Office, 2025

3.4.2**Sampling Technique**

Stratified random sampling was used to ensure proportional representation of key subgroups, with simple random sampling applied within each stratum to ensure equal selection chances and minimize sampling bias.

3.5 Data Source and Methods of Data Collection**3.5.1 Data Type and Sources**

This study utilized both primary and secondary data sources. Primary data were collected through structured questionnaires and semi-structured interviews with domestic private investors across different sectors and project statuses in

Sheger City Administration. Secondary data were obtained from relevant books, journals, and reports to support the study. Quantitative and qualitative data collection methods were employed, with interview data from 20 purposively selected investors analyzed thematically to complement the survey findings.

3.6 Data Analysis Methods

Quantitative data were analyzed using SPSS through descriptive statistics, correlation, and regression analysis to examine relationships between key factors and domestic private investment performance. Qualitative data from semi-

structured interviews were analyzed thematically to identify underlying factors, perceptions, and contextual insights influencing investment decisions.

3.7 . Validity, Reliability, and Ethical Considerations

The study ensured the reliability and validity of the research instruments through Cronbach's Alpha testing and alignment of measurement items with key investment performance dimensions. Ethical considerations were maintained by obtaining informed consent, ensuring confidentiality, protecting respondents' privacy, and adhering to research integrity principles throughout the data collection and analysis process.

Table 3: Questionnaire Distribution and Response Rate

Description	Frequency	Percentage (%)
Questionnaires Distributed	200	100%
Questionnaires Returned (Valid)	190	95%
Questionnaires Not Returned	10	5%

Source: Survey, 2025

4.2 Demographic Characteristics of Respondents

The following table presents the demographic and business characteristics of the 190 respondents, including gender, age, education, legal form, business experience, position, and sector of operation.

Table 4: Demographic and Business Characteristics of Respondents

Description	Frequency	Percent
Gender	Male	56.8
	Female	43.2
	Total	100.0
Age Interval	18-25	10.5
	26-35	43.2
	36-45	40.0
	46 & Above	6.3
	Total	100.0
Educational Level	Diploma	28.4
	Bachelor's Degree	57.9
	Master's Degree or above	13.7
	Total	100.0
Legal Form	Sole Proprietorship	64.2
	Partnership	24.7
	Share Company	11.1
	Total	100.0
How Long in Business	Less than 1 year	1.6
	2-3 years	11.1
	4-6 years	24.2
	Greater than 6 years	63.2
	Total	100.0
Jobs titles of respondents	Owner	47.4
	Manager	25.3
	Supervisor	15.3
	Employee	12.1
	Total	100.0
Business sector	Industry	59.5
	Service	36.3
	Agriculture	4.2
	Total	100.0

RESULTS AND DISCUSSION

4.1 Response Rate

As presented in Table 4.1, a total of 200 questionnaires were distributed, of which 190 were properly completed and returned, yielding a 95% response rate. This high rate indicates strong participation and ensures the reliability of the data collected for analysis. Only 5% of the questionnaires were not returned, posing minimal concern regarding non-response bias.

Source: Survey Result, 2025

The findings in the above table show that most respondents were male (56.8%), aged 26–35 (43.2%), and held bachelor's degrees (57.9%). Sole proprietorships (64.2%), businesses operating for more than six years (63.2%), and owners (47.4%) were predominant. Industry accounted for the largest business sector (59.5%), followed by services (36.3%), indicating that the sample largely represents experienced private investors in industrial and service activities.

Table 5: Descriptive Analysis of Infrastructure

Items		SDA	DA	N	AG	SA	Mean	Std. D
The current electricity and energy power supply meets the need s of domestic private investment	Freq	30	67	57	30	6	2.55	1.036
	%	15.8	35.3	30	15.8	3.2		
My local utility infrastructure is modern and sufficient for current needs of private investment	Freq	27	76	61	20	6	2.58	1.049
	%	14.2	40.0	32.1	10.5	3.2		
There is adequate quality of transport infrastructure (roads, public transportation)	Freq	28	70	56	31	5	2.48	.968
	%	14.7	36.8	29.5	16.3	2.6		
There is full modern technology, internet and telecommunication system for current needs	Freq	29	68	51	37	5	2.55	1.015
	%	15.3	35.8	26.8	19.5	2.6		
There is adequate clean water and sanitation facilities supports business sustainability	Freq	33	67	61	24	5	2.47	1.006
	%	17.4	35.3	32.1	12.6	2.6		

Source: Survey Results, 2025

Table 5 indicates that all infrastructure indicators received mean scores below the neutral value of 3, demonstrating respondents' dissatisfaction with existing infrastructure conditions. Transport infrastructure and water and sanitation facilities recorded the lowest mean scores (2.48 and 2.47, respectively), followed by electricity supply, utility infrastructure, and telecommunication services, with mean values ranging from 2.55 to 2.58. More than half of the respondents expressed disagreement that current infrastructure adequately supports private investment. The findings suggest that inadequate infrastructure remains a

4.3.2 Descriptive Statistics on Access to Finance

The table 4.5 below presents descriptive statistics reflecting respondents' perceptions of access to finance for domestic private investors.

Table 6: Descriptive Statistics on Access to Finance

Items		SDA	DA	N	AG	SA	Mean	Std. D
There are adequate financial institutions that support domestic private investment efficiently	Freq	48	71	35	33	3	2.33	1.08
	%	25.3	37.4	18.4	17.4	1.6		
Domestic Private investors have strong confidence in the financial sector's support for investment	Freq	54	72	20	43	1	2.29	1.12

4.3 Descriptive Statistics

4.3.1 Descriptive Statistics on Infrastructure

This section examines respondents' perceptions of infrastructure conditions affecting domestic private investment in Sheger City Administration. Key infrastructure dimensions, including electricity supply, utility services, transportation, telecommunications, and water and sanitation facilities, were assessed using a five-point Likert scale.

major constraint affecting investment performance in Sheger City Administration. This is consistent with previous studies highlighting unreliable electricity, poor transport networks, and weak urban infrastructure as significant barriers to private sector development (World Bank, 2020; UNCTAD, 2018). Interviews with investors further confirmed that power interruptions, electricity shortages, and poor road conditions are among the major challenges affecting domestic private investment activities.

	%	28.4	37.9	10.5	22.6	.5		
It is easy for domestic private investors to access loans from commercial banks	Freq	49	73	31	32	5	2.32	1.11
	%	25.8	38.4	16.3	16.8	2.6		
Access to credit is adequate for domestic private investors	Freq	46	62	32	49	1	2.46	1.13
	%	24.2	32.6	16.8	25.8	.5		
Interest rates on business loans are reasonable and affordable	Freq	50	55	29	52	4	2.5	1.21
	%	26.3	28.9	15.3	27.4	2.1		
The loan application process is transparent and straightforward.	Freq	51	57	30	46	6	2.47	1.21
	%	26.8	30	15.8	24.2	3.2		

Source: Survey Results, 2025

The findings in the above table indicate that respondents generally perceived access to finance as inadequate. All mean scores were below 2.50, with the lowest for confidence in financial-sector support ($M = 2.29$) and the highest for loan affordability ($M = 2.50$). Overall, limited financial access, loan availability, and affordability appear to be important constraints on domestic private investment.

4.3.3 Descriptive Statistics on Regulatory Environment

According to World Bank (2020), a strong and well-structured regulatory environment is essential for promoting private investment, as it provides legal certainty, reduces risks, and builds investor confidence. When laws and

regulations are clear, transparent, and consistently applied, investors are more likely to commit resources, knowing their rights and assets are protected. A sound regulatory system also reduces bureaucratic barriers and corruption, making it easier to start and operate businesses. To evaluate respondents' perceptions of the regulatory environment, the researcher administered five structured questions designed to capture their views on the clarity, consistency, and effectiveness of existing regulations. The responses were analyzed to identify patterns and insights regarding how the regulatory framework influences private investment decisions. The findings are summarized and presented in Table 7.

Table 7: Descriptive Statistics on Regulatory Environment

Items		SDA	DA	N	AG	SA	Mean	Std. D
There are adequate support mechanisms (e.g., advisory services) to assist private investors in meeting regulatory requirements	Freq	17	32	26	93	22	3.37	1.16
	%	8.9	16.8	13.7	48.9	11.6		
There are adequate government investment incentive packages for all domestic private investments	Freq	26	74	36	43	11	2.68	1.14
	%	13.7	38.9	18.9	22.6	5.8		
There is adequate protection of property rights and investment security under the current regulatory environment	Freq	5	67	33	60	25	3.17	1.13
	%	2.6	35.3	17.4	31.2	13.2		
The licensing and land approval processes for private investment are straightforward and efficient.	Freq		28	36	90	36	3.71	.94
	%		14.7	18.9	47.4	18.9		
A well-structured and transparent regulatory framework would improve private investment performance.	Freq		48	34	87	21	3.43	.99
	%		25.3	17.9	45.8	11.1		

Source: Survey Results, 2025

The findings in the above table indicate mixed perceptions of the regulatory environment. Licensing and land approval processes received the highest mean ($M = 3.71$), while government investment incentives received the lowest ($M = 2.68$). Overall, the results suggest that although administrative procedures are relatively favorable, gaps remain in

investment incentives, support services, and investor protection.

4.3.4 Descriptive Statistics on Political Stability

The following table presents the descriptive statistics on respondents' perceptions of political stability and its implications for domestic private investment in Sheger City

Administration. It covers key political, governance, and institutional factors, including the stability of the political environment, corruption, government support for the private sector, access to land, political interference, and the effectiveness of the tax system and investment incentives. The

table presents the frequency and percentage distributions of responses, together with the mean and standard deviation for each item, providing an overview of respondents' perceptions of the political and institutional conditions affecting domestic private investment.

Table 8: Descriptive Results on Political Stability

Items		SDA	DA	N	AG	SA	Mean	Std. D
The political environment is stable and encourages private investment	Freq	2	39	32	107	10	3.44	.99
	%	1.1	20.5	16.8	56.3	5.3		
Corruption does not challenge domestic private investment in Sheger	Freq	60	32	44	48	6	2.52	1.26
	%	31.6	16.8	23.2	25.3	3.2		
Government leaders openly support the growth of the private sector	Freq	55	33	51	35	16	2.60	1.30
	%	28.9	17.4	26.8	18.4	8.4		
Limited access to land is not a major challenge for private investors	Freq	57	34	53	38	8	2.51	1.23
	%	30	17.9	27.9	20	4.2		
Political interference in business activities is minimal	Freq	58	40	49	38	5	2.43	1.19
	%	30.5	21.1	25.8	20	2.6		
The current tax system and investment incentives encourages business growth	Freq	56	30	50	40	14	2.61	1.3
	%	29.5	15.8	26.3	21.1	7.4		

Source: Survey Results, 2025

The findings in the above table indicate mixed perceptions regarding the political and institutional environment for domestic private investment. Political stability received a relatively favorable assessment ($M = 3.44$, $SD = 0.99$), suggesting that respondents generally perceive the political environment as sufficiently stable to support investment. However, the relatively low mean scores for political interference ($M = 2.43$), land access ($M = 2.51$), corruption ($M = 2.52$), government support for private-sector development ($M = 2.60$), and tax and investment incentives ($M = 2.61$) indicate the presence of significant institutional and regulatory constraints. These findings suggest that although political stability provides a positive foundation for investment, persistent governance challenges and weaknesses in the investment environment may constrain the growth of domestic private investment in Sheger City Administration.

Table 9: Descriptive Results on Exchange rate

Items		SDA	DA	N	AG	SA	Mean	Std. D
Exchange rate stability has no effect the cost of doing business	Freq	53	73	35	18	11	2.27	1.14
	%	27.9	38.4	18.4	9.5	5.8		
Fluctuating exchange rate cannot influence the cost of imports and exports	Freq	54	74	36	16	10	2.23	1.11
	%	28.4	38.9	18.9	8.4	5.3		
The current exchange rate system is adequate to supports private investment growth.	Freq	52	77	34	17	10	2.24	1.11
	%	27.4	40.5	17.9	8.9	5.3		

4.3.5 Descriptive Statistics on Exchange Rate Stability

The following table presents descriptive statistics on respondents' perceptions of exchange rate stability and its implications for domestic private investment in Sheger City Administration. It examines key aspects of the exchange rate environment, including the effect of exchange rate stability on business costs, the influence of exchange rate fluctuations on import and export costs, the adequacy of the current exchange rate system in supporting private investment, and access to foreign currency. The table presents the frequency and percentage distributions of responses, together with the mean and standard deviation for each item, providing an overview of respondents' assessments of exchange rate conditions affecting investment and business operations.

Access to foreign currency is adequate for domestic private investors	Freq	53	78	36	15	8	2.19	1.06
	%	27.9	41.1	18.9	7.9	4.2		

Source: Survey Results, 2025

The findings in the above table indicate a generally unfavorable perception of the exchange rate environment and its implications for domestic private investment. All four items recorded relatively low mean scores, ranging from 2.19 to 2.27, indicating that respondents largely disagreed with the positive statements concerning exchange rate stability, the adequacy of the exchange rate system, and access to foreign currency. In particular, access to foreign currency received the lowest mean score ($M = 2.19$, $SD = 1.06$), while more than two-thirds of respondents disagreed that exchange rate fluctuations do not affect import and export costs. These findings suggest that exchange rate instability, its effects on business and trade costs, and limited access to foreign currency constitute important constraints on domestic private investment in Sheger City Administration. The results are consistent with the broader literature, which indicates that exchange rate volatility can increase business uncertainty,

Table 10: Response on Private Investment Performance

Items		SDA	DA	N	AG	SA	Mean	Std. D
Private investment has contributed to the growth of industries within the local economy.	Freq	3	2	19	67	99	4.36	.83
	%	1.6	1.1	10	35.3	52.1		
Private investments have created new job opportunities in the community	Freq		6	17	66	101	4.38	.78
	%		3.2	8.9	34.7	53.2		
Private investments drive innovation and technological advancements.	Freq		6	23	60	101	4.35	.81
	%		3.2	12.1	31.6	53.2		
Private investments have yielded a high return on investment (ROI).	Freq		10	20	59	101	4.32	.87
	%		5.3	10.5	31.1	53.2		
Private investment has enhanced the financial performance of businesses.	Freq	5	4	18	60	103	4.33	.93
	%	2.6	2.1	9.5	31.6	54.2		

Source: Survey Results, 2025

The findings in the above table indicate a strongly positive perception of private investment performance across all assessed dimensions. All items recorded high mean scores, ranging from 4.32 to 4.38, with the highest score relating to employment creation ($M = 4.38$, $SD = 0.78$), followed by contribution to industrial growth ($M = 4.36$, $SD = 0.83$) and innovation and technological advancement ($M = 4.35$, $SD = 0.81$). Similarly, respondents reported positive perceptions regarding returns on investment ($M = 4.32$, $SD = 0.87$) and improvements in business financial performance ($M = 4.33$, $SD = 0.93$). Overall, the findings suggest that private

raise the cost of imported inputs, and discourage investment by making financial planning and investment decisions more difficult.

4.3.6 Descriptive Statistics of Private Investment Performance

The following table presents descriptive statistics on respondents' perceptions of private investment performance and its contribution to the local economy in Sheger City Administration. It examines key dimensions of private investment performance, including its contribution to industrial growth, employment creation, innovation and technological advancement, return on investment, and the financial performance of businesses. The table presents the frequency and percentage distributions of responses, together with the mean and standard deviation for each item, providing an overall assessment of the perceived contribution and performance of private investment in the study area.

investment is perceived to make a substantial contribution to employment generation, industrial development, technological advancement, and business performance in Sheger City Administration. The relatively low standard deviations further indicate a considerable degree of consistency in respondents' assessments.

4.4 Inferential Statistical Analysis

4.4.1 Correlation Analysis

Pearson correlation analysis was conducted to examine the strength and direction of the linear relationships between the independent variables—Infrastructure (INF), Access to

Finance (FIN), Regulatory Environment (REG), Political Stability (POL), and Exchange Rate Stability (EXR)—and Domestic Private Investment Performance (DPIP). The following table presents the Pearson correlation coefficients, significance levels, and sample size (N = 190) for the variables included in the analysis. Correlation coefficients

Table 11: Results of Correlation Analysis

		INF	FIN	REG	POL	ExS	DPIP
INF	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	190					
FIN	Pearson Correlation	.488**	1				
	Sig. (2-tailed)	.000					
	N	190	190				
REG	Pearson Correlation	.552**	.587**	1			
	Sig. (2-tailed)	.000	.000				
	N	190	190	190			
POL	Pearson Correlation	.315**	.545**	.465**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	190	190	190	190		
EXR	Pearson Correlation	.424**	.331**	.376**	.423**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	190	190	190	190	190	
DPIP	Pearson Correlation	.606**	.641**	.600**	.638**	.732**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	190	190	190	190	190	190

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Result, 2025

The findings in the above table indicate that all five independent variables have positive and statistically significant relationships with Domestic Private Investment Performance at the 0.01 level. Exchange Rate Stability demonstrates the strongest association with investment performance ($r = 0.732$, $p < 0.01$), followed by Access to Finance ($r = 0.641$, $p < 0.01$), Political Stability ($r = 0.638$, $p < 0.01$), Infrastructure ($r = 0.606$, $p < 0.01$), and Regulatory Environment ($r = 0.600$, $p < 0.01$). These results indicate that more favorable conditions in these areas are associated with higher levels of private investment performance. The correlations among the independent variables range from 0.315 to 0.587, remaining below the commonly applied threshold of 0.70, suggesting that serious multicollinearity is unlikely to be a major concern at this stage. Overall, the results provide empirical support for further examining the

marked with double asterisks (**) indicate that the relationships are statistically significant at the 0.01 level (2-tailed), providing an initial assessment of the associations among the study variables prior to the subsequent regression analysis.

individual effects of these factors on domestic private investment performance through regression analysis.

4.4.2 Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) was conducted to assess the overall statistical significance of the multiple regression model used to examine the determinants of Domestic Private Investment Performance (DPIP). The following table presents the regression, residual, and total sums of squares, degrees of freedom, mean squares, F-statistic, and associated significance level. The analysis evaluates whether the five explanatory variables—Exchange Rate Stability (EXR), Political Stability (POL), Infrastructure (INF), Access to Finance (FIN), and Regulatory Environment (REG)—collectively provide a statistically significant explanation of variations in Domestic Private Investment Performance

Table 12: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.747	5	7.149	61.380	.000 ^b
	Residual	21.432	184	.116		
	Total	57.179	189			
a. Dependent Variable: Domestic Private Investment Performance(DPIP)						
b. Predictors: (Constant), ExR, POL, INF, FIN, REG						

Source: Survey Results, 2025

The findings in the above table indicate that the overall regression model is statistically significant, with an F-value of 61.380 and a significance level of $p < 0.001$. The regression sum of squares (35.747) is substantially larger than the residual sum of squares (21.432), indicating that a considerable proportion of the variation in Domestic Private Investment Performance is explained by the predictors included in the model. Since the significance level is below the conventional 0.05 threshold, the null hypothesis that the regression coefficients are jointly equal to zero is rejected. This indicates that Exchange Rate Stability, Political Stability, Infrastructure, Access to Finance, and Regulatory Environment, when considered collectively, have a statistically significant relationship with Domestic Private Investment Performance. The result therefore supports the

Table 13: Modell Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.791 ^a	.625	.615	.34129	1.867
a. Predictors: (Constant), ExR, POL, INF, FIN, REG					
b. Dependent Variable: Domestic Private Investment Performance(DPIP)					

Source: Survey Results, 2025

The findings in the above table indicate that the regression model demonstrates a strong overall relationship between the observed and predicted values of Domestic Private Investment Performance ($R = 0.791$). The R^2 value of 0.625 indicates that the five predictors jointly explain 62.5% of the variation in domestic private investment performance, while the adjusted R^2 of 0.615 indicates that the model retains substantial explanatory power after accounting for the number of predictors included. The standard error of the estimate (0.34129) indicates the average extent of deviation of observed values from the regression estimates. Furthermore, the Durbin–Watson statistic of 1.867 is sufficiently close to 2, suggesting that serious first-order autocorrelation of the residuals is unlikely. Overall, the results indicate that the model has considerable explanatory capacity and provides a suitable basis for examining the individual effects of the predictor variables on domestic private investment performance.

Table 14: Coefficients Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.177	.260		.668	.505
	Infrastructure	.147	.060	.152	2.442	.016
	Access to finance	.239	.075	.205	3.178	.002
	Regulatory Environment	.035	.074	.033	2.478	.033
	Political Stability	.160	.079	.144	2.031	.044
	Exchange Rate Stability	.426	.077	.396	5.551	.000
a. Dependent Variable: Domestic Private Investment Performance						

Source: Survey Results, 2025

suitability of the regression model for further examination of the individual contribution of each predictor.

4.4.3 Multiple Linear Regression Analysis

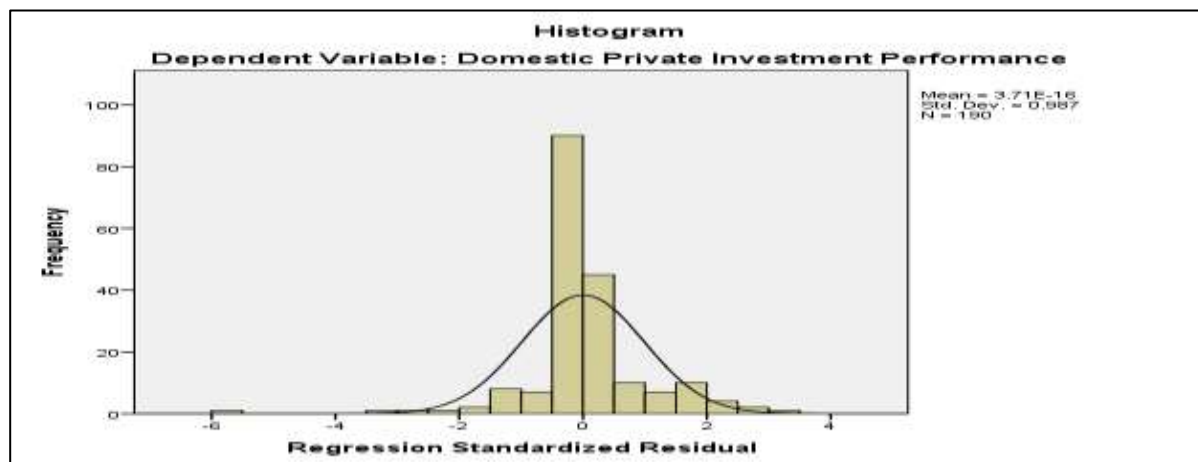
Multiple linear regression analysis was employed to examine the combined contribution of Exchange Rate Stability (EXR), Political Stability (POL), Infrastructure (INF), Access to Finance (FIN), and Regulatory Environment (REG) to Domestic Private Investment Performance (DPIP). The following table presents the model summary, including the multiple correlation coefficient (R), coefficient of determination (R^2), adjusted R^2 , standard error of the estimate, and Durbin–Watson statistic. These measures provide an overall assessment of the strength, explanatory power, predictive accuracy, and residual independence of the regression model.

4.4.4 Hypothesis Testing

Based on the literature review and the conceptual framework, five hypotheses were formulated to examine the effects of Infrastructure (INF), Access to Finance (FIN), Regulatory Environment (REG), Political Stability (POL), and Exchange Rate Stability (EXR) on Domestic Private Investment Performance (DPIP) in Sheger City Administration. Multiple linear regression analysis was employed to test these hypotheses simultaneously while controlling for the effects of the other explanatory variables. The following table presents the unstandardized and standardized regression coefficients, standard errors, t-values, and significance levels for each predictor. The hypotheses were evaluated at the 5% significance level, whereby a positive coefficient with a p-value below 0.05 was considered evidence in support of the respective hypothesis.

The findings in the above table indicate that all five independent variables have statistically significant and positive effects on Domestic Private Investment Performance. Infrastructure has a positive and significant effect ($B = 0.147$, $\beta = 0.152$, $t = 2.442$, $p = 0.016$), supporting H1 and indicating that improved infrastructure is associated with better investment performance. Access to Finance also has a positive and statistically significant effect ($B = 0.239$, $\beta = 0.205$, $t = 3.178$, $p = 0.002$), supporting H2 and demonstrating the importance of financial accessibility for private investment performance. Regulatory Environment has a positive and statistically significant effect ($B = 0.035$, $\beta = 0.033$, $t = 2.478$, $p = 0.033$), supporting H3/H4 as formulated in the study and indicating that improvements in the regulatory environment are associated with higher investment performance. Political Stability similarly shows a positive and significant effect ($B = 0.160$, $\beta = 0.144$, $t = 2.031$, $p = 0.044$), supporting the hypothesis concerning political stability. Exchange Rate Stability has the largest standardized coefficient ($\beta = 0.396$) and the strongest statistical significance ($B = 0.426$, $t = 5.551$, $p < 0.001$), supporting H5 and indicating that it is the strongest predictor among the variables included in the model. Overall, the results support all five hypotheses and suggest that improvements in infrastructure, access to finance, regulatory conditions, political stability, and exchange rate stability are significantly associated with improved domestic private investment performance in Sheger City Administration.

Figure 1: Normality Test



Source: Survey Results, 2025

The pattern of the histogram suggests that the assumption of normality of residuals is reasonably satisfied, thereby validating one of the key assumptions of linear regression analysis for the model assessing Domestic Private Investment Performance. This pattern, along with the superimposed normal curve closely matching the histogram bars, suggests that the assumption of normality is reasonably met. The absence of significant outliers further supports the adequacy of the regression model in satisfying the normality assumption.

4.4.5 Model Diagnostics and Assumption Testing

4.4.5.1 Normality tests

Normal distributions are characterized by symmetry and a bell-shaped curve, where the majority of observations cluster around the mean, and the frequency of values tapers off symmetrically toward the extremes. As illustrated in Figure 4.1, the histogram for organizational effectiveness data demonstrates an approximately normal distribution. The bell-shaped pattern, with values centered near 0.5 and an absence of significant outliers, indicates that the data reasonably conforms to the properties of a normal distribution. The histogram you've provided displays the regression standardized residuals for the dependent variable: Domestic Private Investment Performance. As shown in the figure 4.1, revealed that the shape of the histogram is approximately symmetric and bell-shaped, suggesting that the residuals are normally distributed. The majority of residuals are centered around **zero**, indicating that the model's predictions are, on average, close to the observed values. There is a lack of extreme outliers, and the residuals fall mostly within the range of -2 to +2, which is acceptable in a standard normal distribution. The superimposed normal curve aligns reasonably well with the distribution of the residuals, further supporting the normality assumption. The mean of the residuals is effectively zero (Mean = 3.71E-16), and the standard deviation is approximately 1 (Std. Dev. = 0.987), which is consistent with standardized residual expectations.

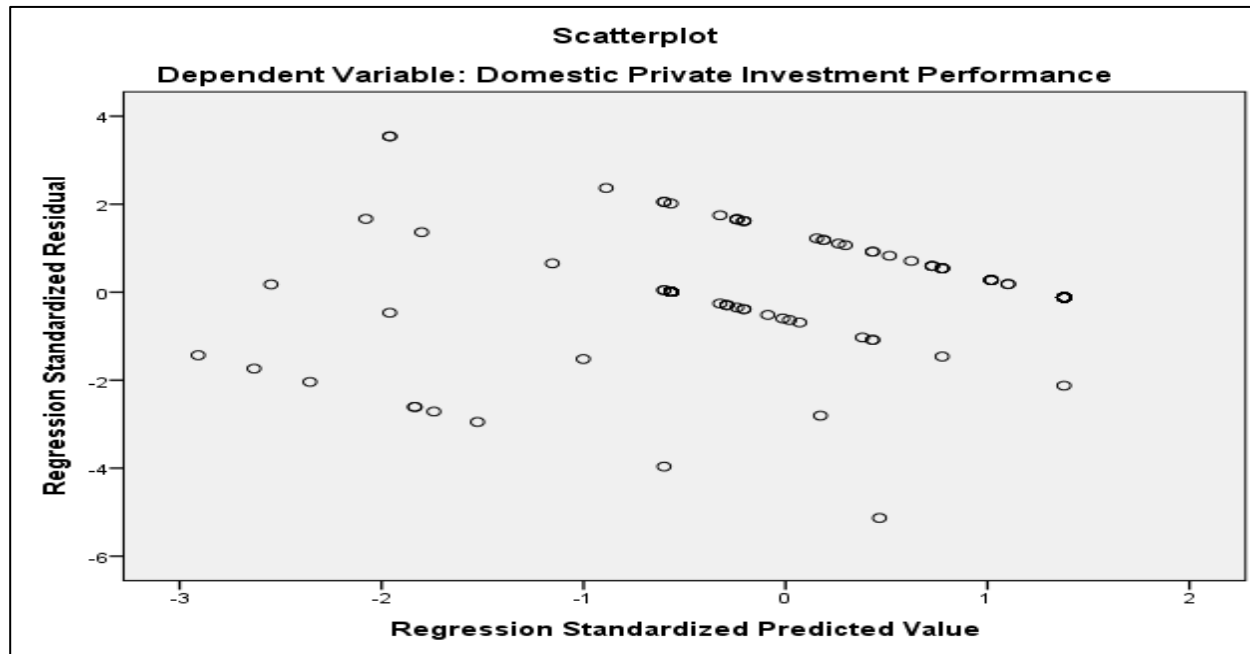
4.4.5.2 Homoscedasticity (equal variance)

The scatterplot you provided represents the relationship between the regressions standardized predicted values and the regression standardized residuals, with the dependent variable being Domestic Private Investment Performance. The plot depicts the standardized residuals on the vertical axis and the standardized predicted values on the horizontal axis. Residuals are the differences between observed values and predicted values from the regression model. The standardized residuals are adjusted for the standard deviation of the

residuals, allowing for a clearer analysis. From the plot, it appears that there is no clear pattern in the distribution of the residuals across the range of predicted values. This suggests

that the assumptions of homoscedasticity (constant variance of residuals) and linearity in the regression model are likely satisfied.

Figure 2: Regression Standardized Predicted value



Source: Survey Results, 2025

The absence of a curved or funnel-shaped pattern in the plot implies that the model's assumptions are well met, particularly the assumption of linearity and the randomness of residuals. If there were any systematic pattern, such as a curve or a funnel shape, it would suggest issues like model misspecification or non-constant variance. In summary, the scatterplot indicates that the regression model has performed well in terms of fitting the data, with no significant violations of assumptions, except for the presence of an outlier that may require further investigation.

Table 15: Collinearity Analysis

Model	Collinearity Statistics	
	Tolerance	VIF
Infrastructure	.523	1.912
Access to finance	.490	2.041
Regulatory Environment	.436	2.295
Political Stability	.405	2.468
Exchange Rate Stability	.400	2.497
a. Dependent Variable: Domestic Private Investment Performance		

Source: Survey Results, 2025

The findings in the above table indicate that all Tolerance values range from 0.400 to 0.523, while the VIF values range from 1.912 to 2.497. Since all Tolerance values are above 0.10 and all VIF values are below the commonly accepted threshold of 5, there is no evidence of problematic multicollinearity among the independent variables. Therefore, the predictors can be retained in the regression

4.4.5.3 Multicollinearity

The following table presents the collinearity diagnostics for the independent variables included in the multiple regression model. It reports Tolerance and Variance Inflation Factor (VIF) values, which are used to assess whether substantial multicollinearity exists among the explanatory variables. These diagnostics help determine whether the independent variables are sufficiently distinct to produce reliable regression estimates.

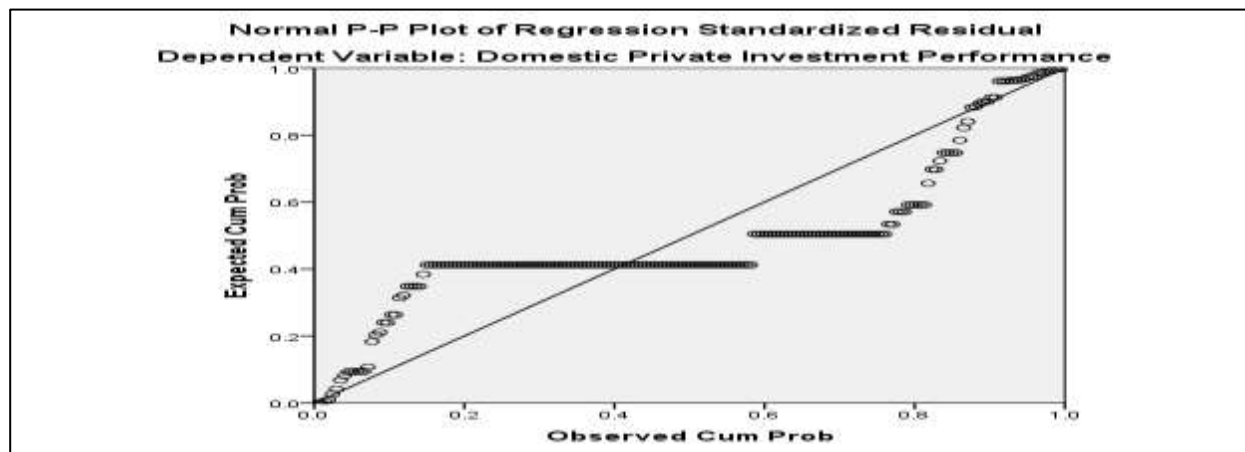
model without substantial concern about distortion of the estimated coefficients.

4.4.5.4 Linearity Test

The linearity test is conducted to examine whether there is a linear relationship between the independent variables and the dependent variable, Domestic Private Investment Performance. To assess linearity, a scatterplot of the

standardized residuals against the standardized predicted values was analyzed. Ideally, for the assumption of linearity to hold, the residuals should be randomly scattered around the horizontal axis (zero line) without forming any specific

Figure 3: Normal P-P of Regression Standard residual



Source: Survey Results, 2025

The scatterplot revealed that the residuals are fairly randomly dispersed across the range of predicted values, with no evident pattern or curvature. This random dispersion suggests that the linearity assumption is reasonably satisfied in the regression model. Therefore, the model can be considered appropriate in capturing the linear relationship between the selected explanatory variables and the domestic private investment performance.

4.4.5.5 Regression Model

The multiple linear regression model was employed to examine the combined effects of Infrastructure (INF), Access to Finance (FIN), Regulatory Environment (REG), Political Stability (POL), and Exchange Rate Stability (EXR) on Domestic Private Investment Performance (DPIP). The estimated regression equation is:

$$\text{DPIP} = 0.177 + 0.147(\text{INF}) + 0.239(\text{FIN}) + 0.035(\text{REG}) + 0.160(\text{POL}) + 0.426(\text{EXR}) + \varepsilon$$

The results indicate that all five predictors have positive and statistically significant effects on domestic private investment performance at the 5% significance level. Exchange Rate Stability has the strongest standardized effect ($\beta = 0.396$, $p < 0.001$), followed by Access to Finance ($\beta = 0.205$, $p = 0.002$), Infrastructure ($\beta = 0.152$, $p = 0.016$), Political Stability ($\beta = 0.144$, $p = 0.044$), and Regulatory Environment ($\beta = 0.033$, $p = 0.033$).

Recommendations

Based on the findings, the following key recommendations are proposed:

- **Infrastructure:** Promote public-private partnerships (PPPs) to expand and improve transport, electricity, and digital infrastructure.
- **Access to Finance:** Collaborate with financial institutions to provide affordable credit, credit guarantees, and tailored financial services for domestic investors.

pattern. The absence of any systematic structure, such as a curve or funnel shape, indicates that the relationship between the predictors and the outcome variable is linear.

CONCLUSION AND RECOMMENDATION

Conclusion

This study concludes that infrastructure, access to finance, political stability, regulatory environment, and exchange rate stability all have statistically significant and positive effects on domestic private investment performance in Sheger City Administration. Among these factors, exchange rate stability emerged as the strongest predictor, followed by access to finance, infrastructure, political stability, and regulatory environment. Overall, the findings demonstrate that sustainable improvement in domestic private investment requires a stable and supportive investment climate characterized by reliable infrastructure, accessible finance, political predictability, effective regulation, and macroeconomic stability. Strengthening these interconnected factors should therefore remain a priority for policymakers seeking to promote sustainable private investment and economic development in Sheger City Administration.

- **Political Stability:** Strengthen transparent governance, rule of law, policy consistency, and stakeholder engagement to enhance investor confidence.
- **Regulatory Environment:** Simplify business registration, licensing, and compliance procedures and expand digital investment services to improve efficiency and transparency.
- **Exchange Rate Stability:** Support macroeconomic stability through prudent fiscal management,

inflation control, and measures that reduce foreign-exchange-related investment risks.

- **Land Access:** Ensure transparent and predictable land allocation, strengthen property rights, and resolve land-related grievances efficiently to facilitate investment.

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