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Effect of Investment Opportunities and Challenge in case of Jig-Jiga Town. Somali Regional State, Ethiopia

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ABSTRACT

This study was conducted with the general objective of assessing opportunities and challenges that are affecting investment in jig-jiga city. To reach at successful investigation stratified sampling method was used. The necessary data for the study was gathered by using both primary and secondary source of data. The primary data was collected by using questionnaires. The source for secondary data collected from different manuals reports of the organization documents, books and published and unpublished materials in addition; the researcher used descriptive techniques for analyzing the data. In general, this study had been arrived at a conclusion that there is good investment opportunity in jig-jiga town and there are challenges to be tackled by both the government and investors.

Key Words;*Investment Opportunities and Challenge*

1. INTRODUCTION

Investment is time, energy, or matters spend in the hope of future benefits actualize within a specified date or time frame. (Bhalla, 2010). Investment has a very big role in the development of any nation. It increases

production capacity of an economy, it is very important to utilize an idle resource, it plays a big role in creating job opportunities to citizens, it also increases foreign currency through export promotion and it can facilitate the communication and cultural exchange of society. (Bhalla, 2010). In Ethiopia there is still a huge amount of idle resource which is not mobilized to investment activity due to insufficient and ineffective utilization of resource which result in low level of income. Because of low level of income it results for the people to allocate to their income for investment activities out of their consumption.

As Ethiopia's new government begins work in September 2010, it is armed with a new plan: the Growth and Transformation Plan. Trade and foreign direct investment (FDI) figure in the new plan but less reliance is placed on foreign direct investment inflows than in the past and as much emphasis appears to be placed on import substitution as on export expansion to reduce the trade deficit. Ethiopia has tried different trade strategies in the past, the perennial goal being to diversify its exports to reduce dependence on coffee and other cash crops. Nonetheless, Ethiopia has a low share of trade in Gross Domestic Product, its exports continue to have limited diversification, and its trade deficit has widened significantly. Ethiopia's trade performance has been held back by a combination of factors that are amenable to policy treatment, including very high trade costs due to poor trade logistics and burdensome official requirements, an unsupportive macroeconomic policy mix, and private sector under-development that is at least partially attributable to weaknesses in the microeconomic framework. By the same taken, it argues that targeted infrastructure and regional cooperation developments, in conjunction with a trade friendly macroeconomic policy and domestic administrative reforms would, properly sequenced, enable Ethiopia to use its abundant factor of production – cheap labor – to drive its development on a basis less vulnerable to the risks inherent in rain-based agricultural production, including participation in processing trade. On this basis, it identifies a set of priority initiatives for the new government. (Dan, 2010).

In Jijjiga town has a proper investment sociable environment by good quality that almost suitable for investment and strategic location. The Jijjiga town has a suitable investment friendly environment by virtue of its being one of the most growing cities in the country in terms of population, economic and even in urbanization level so it has a very conducive environment in investment activities and other related activities. The Jijjiga town is located in the eastern part of Ethiopia. The town is bordered by the Gursum in the west, in the east the strategic commercial town of Togwujale which played an important role for the investment activities in the town.

The town is estimated to have a total land area of 128,802 hectares of land, of which 97.73% covers the rural area, and the remaining 2.27% accounts for the land area used by the town's main urban center: Jijjiga town is located 610 km from Addis Ababa, 125km from Harar, and 175km from Togwujale. The number of population of the town is at present estimated to be about 1million of which 60.9% reside in urban area and the rest 39.1% lives in rural areas.

Proclamation No. 416/2004 provides the towns of the countries the legal status that enables to become a chartered City, the resident of the town have, therefore, the legal foundation that enables to exercise self-administration, determine the organizational structures and operations of the City in conformity with democratic principles, good governance and contemporary trends of growth and development. The proclamation of charter marks a turning point in the history of different cities in the country like Jijjiga town. Jijjiga has now the mandate to design, and carry out the development undertakings that will enable it to address the prevailing socio-economic problems in it. The City administration has already taken the necessary measures that will promote investment by creating conducive environment for its growth, and success (Jijjiga Investment Office Annual Report in 2012)

Investment is essential for the development of any nation. Due to this the government of Ethiopia is working in order to improve investment activities in all corners of the nation. Investment activities of Jig-jigahave been very slow and unsatisfactory for long time due to shortage of investment opportunities and other circumstances. Jijjiga foam factory and Jijjiga food complex are the only and well known factory in the City for long time (Jijjiga town investment bureau). Jijjiga town is suitable for investment having the as the following opportunities such as nearness of the commercial town of Togwujale that connects Somalia to Ethiopia, It is rich for investors who want to participant in agro-processing, Beautiful land space, suitable for manufacturing and other investment areas, It is surrounded by historical places that are visited by domestic and foreign investors. Investors who are interested to invest in the hotel industry will be profitable to invest in hotel. Having the above opportunities in mind someone will expect investment activities in the City will be high. But the investment activity in the town is unsatisfactory. According to the unpublished 2016 report of the bureau of investment promotion process of Jijjiga from the expected 100 investors only 22 of them were operational in the 2016 annual year. Therefore the researcher will try to assess the challenges which are hindering investment in the town.(Jijjiga town investment bureau,). It is clear that investment efficiency can be an important component of our agencies strategy to address capital renewal needs at our companies. In order for investment in energy efficiency to be effective, the project would need to accomplish two goals; Decrease long-term campus energy use and Address campus capital renewal needs.(Miami university 1989). Therefore, the purpose of this study is focus on assess the opportunities and the challenges that are hindering investment activities in Jijjiga town.

As the main objective of this research is to assess the opportunities and the challenges that are hindering investment activities in Jijjiga town. This was done with a specific objective

- To assess the challenges those are affecting investment activities in town.
- To identify the effects of investment on the development of the City and in creating job opportunities to its residences.
- To assess the supports/incentive given by the government on the investement activities of town.

2. Literature Review

2.1 Theoretical Reviews

The term investment refers to a sum of funds committed on the physical and human activity by both profit and non-profit oriented individuals and institutions. It is applied to production of goods not meant for immediate consumption but further productions of goods are called investment goods. The investment of business firms usually compromise of capital goods and investors. (Baddeley, 2003)

By investment, economists mean the production of goods was used to produce other goods. This definition differs from the popular usage, wherein decisions to purchase stocks or bonds are thought of as investment. Investment is usually the result of forgoing consumption. In a purely agrarian society, early humans had to choose how much grain to eat after the harvest and how much to save for future planting. The latter was investment. In a more modern society we allocate our productive capacity to producing pure consumer goods such as hamburgers and hot dogs, and investment goods such as semiconductor foundries. If we create one dollar worth of hamburgers today, then our gross national product is higher by one dollar. If we create one dollar worth of semiconductor foundry today, gross national product is higher by one dollar, but it will also be higher next year because the foundry will still produce computer chips long after the hamburger has disappeared. This is how investment leads to economic growth. Without it, human progress would halt. Investment need not always take the form of a privately owned physical product. The most common example of non pphysical investment is investment in human capital. When a student chooses study over leisure, that student has invested in his own future just as surely as the factory owner who has purchased machines. Investment theory just as easily applies to this decision. Pharmaceutical products that establish heightened well-being can also be thought of as investments that reap higher future productivity. Moreover, government also invests. A bridge or a road is just as much an investment in tomorrow's activity as a machine is. The literature discussed below focuses on the study of physical capital purchases, but the analysis is more widely applicable. (Hasset, 2008).

2.1.1 Where Do the Resources for Investment Come From?

In an economy that is closed to the outside world, investment can come only from the forgone consumption the saving of private individuals, private firms, or government. In an open economy, however, investment can surge at the same time that a nation's saving is low because a country can borrow the resources necessary to invest from neighboring countries. This method of financing investment has been very important in the United States. The industrial base of the United States in the nineteenth century-railroads, factories, and so on-was built on foreign finance, especially from Britain. More recently, the United States has repeatedly posted significant investment growth and very low savings. However, when investment is funded from outside, some of the future returns to capital are passed outside as well. Over time, then, a country that relies exclusively on foreign financing of investment may find that it has very little capital income with which to finance future consumption. Accordingly, the source of investment finance is an important concern. If it is

financed by domestic saving then future returns stay at home. If it is financed by foreign saving, then future returns go abroad, and the country is less wealthy than otherwise (McDonald, 1986).

2.1.2 What Makes Investment Go Up and Down?

The theory of investment dates back to the giants of economics. Irving Fisher, Arthur Cecil Pigou, and Alfred Marshall all made contributions; as did John Maynard Keynes, whose Marshallian user cost theory is a central feature in his General Theory. In addition, investment was one of the first variables studied with modern empirical techniques. Already in 1909, Albert Aftalion noted that investment tended to move with the business cycle. (Kevin A. Hassett, 2004). Many authors, including Nobel laureate Trygve Haavelmo, contributed to the advance of the investment literature after the war. Dale Jorgenson published a highly influential synthesis of this and earlier work in 1963. His neoclassical theory of investment has withstood the test of time because it allows policy analysts to predict how changes in government policy affect investment. In addition, the theory is intuitively appealing and is an essential tool for any economist (Irving Fisher, 1867). Here is a brief sketch. Suppose you run a firm and are deciding whether to purchase a machine. What should affect your decision? The first observation is that you should purchase the machine if doing so will increase your profits. For that to happen, the revenue you earn from the machine should at least be equal to the costs. On the revenue side, the calculation is easy. If, for example, the machine will produce one thousand donuts and you can sell them at ten cents apiece, then you know, after subtracting the noncapital costs such as flour, exactly how much extra revenue the machine will produce. But what costs are associated with the machine? (Eduardo Engel, 1995).

Suppose the machine lasts forever, so you do not have to worry about wear and tear. If you buy the machine, then it produces donuts and the machine's manufacturer has your money. If you decide not to buy the machine, then you can put the money in the bank and earn interest. If the machine truly does not wear (i.e., depreciate) while you use it, you could, in principle, purchase the machine this year and sell it next year at the same price, and get your money back. In that case, you gain the extra revenue from selling donuts but lose the interest you could have had if you had just placed the money in the bank. You should buy the machine if the interest is less than the extra money you will make from the machine (Elsevier, 2002).

Jorgenson expanded this basic insight to account for the facts that the machine might wear out, the price of the machine might change, and the government imposes taxes. His "user cost" equation is a sophisticated model of investment, and economists have found that it describes investment behavior well. Specifically, a number of predictions of Jorgenson's model have been confirmed empirically. Firms buy fewer machines when their profits are taxed more and when the interest rate is high. Firms buy more machines when tax policy gives them generous tax breaks for doing so. (Albert, 1909). Investment fluctuates a lot because the fundamentals that drive investment output prices, interest rates, and taxes—also fluctuate. But economists do not fully understand fluctuations in investment. Indeed, the sharp swings in investment that occur might require an extension to the Jorgenson theory.

Despite this, Jorgenson's theory has been a key determinant of economic policy. During the recession of 2001, for example, the U.S. government introduced a measure that significantly increased the tax benefits to firms that purchased new machines. This tax "subsidy" to the purchases of machines was meant to stimulate investment at precisely the time that it would otherwise have plummeted. This countercyclical investment policy follows significant precedent. In 1954, accelerated depreciation was introduced, allowing investors to deduct a larger fraction of the purchase price of a machine than had previously been allowed. In 1962, President John F. Kennedy introduced an investment tax credit to stimulate investment. This credit was enacted and repealed numerous times between then and 1986, when it was finally repealed for good. In each case, the Jorgenson model provided a guide to policymakers of the likely impact of the tax change. Empirical studies have confirmed that the predicted effects occurred. (altred marshal,1842).

The Theoretical Frontier in Jorgenson's user cost model, firms will purchase a machine if the extra revenue the machine generates is a smidgen more than its cost. This prediction of the model has been the subject of significant debate among economists for two main reasons. First, some economists who study recessions have found that financial constraints have affected investment. That is, they argue that sometimes firms want to purchase machines, and would make more money if they did so, but are unable to because banks will not lend them money. The extensive literature on this topic has concluded that such liquidity constraints do not significantly affect most large firms, although occasional liquidity crises cannot be ruled out. Such liquidity constraints are more likely to affect small firms.

The second extension of the basic user cost theory owes to a seminal contribution by Robert McDonald and Daniel Siegel (1986). They noted that firms do not typically purchase machines when the extra revenue is just a smidgen more than the cost, but, instead, require a bigger surplus before taking the plunge. In addition, consumers and businesses appear to be very reluctant to adopt novel technologies. McDonald and Siegel developed a model of investment that explained why. Their analysis has two key features that differ from Jorgenson's: first, the future is highly uncertain; second, a firm has to "nail down" a new machine that it purchases and cannot expect ever to be able to sell it. That is, the purchase of a machine is "irreversible."

These two features change the analysis. Consider, for example, a firm that traditionally powers its furnaces with coal deciding whether to buy a new, more energy-efficient natural gas-powered furnace that costs one hundred dollars today but has an uncertain return tomorrow. If the price of natural gas does not change, then the firm stands to make a four-hundred-dollar profit by operating the new furnace. If the price of natural gas increases, however, then the new furnace will remain idle and the firm will gain nothing from owning it. If the probability of either outcome is 0.5, then, using a zero interest rate for simplicity, the expected net present value of purchasing the machine is (Scenario 1): $(0.5 \times \$400) + (0.5 \times 0) - \$100 = \$100$

Because the project has a positive expected cash flow, it might seem optimal to buy the furnace today. But it is not. Consider what happens if the firm waits until the news is revealed before deciding, as shown in Scenario

2. By waiting, the firm will actually increase its expected profit by fifty dollars. The reason the firm is better off waiting is that if the bad news happens—that is, if natural gas prices increase—the firm can avoid the loss of one hundred dollars by not purchasing the furnace at all. By waiting, the firm is acquiring better information than it would have if it bought today. Note that the two examples would have the same expected return if the firm were allowed to resell the furnace at the original purchase price if there is bad news. But this is unrealistic for two reasons: (1) many pieces of equipment are customized so that once installed they would have little or no value to anyone else; and (2) if gas prices rise, the gas-powered furnace would have little value to anyone else.

As mentioned above, investment ultimately comes from forgone consumption, either here or abroad. Consumer behavior is harder to study than firms' behavior. Market forces that drive irrational people out of the marketplace are much weaker than market forces that drive bad companies from the market. Accordingly, the study of saving behavior, that lynchpin for investment, is not nearly as advanced as that of investment. Because the saving response of consumers must be known if one is to fully understand the impact of any investment policy, and because saving behavior is so poorly understood, much work remains to be done.(Johnhartbag, 1875).

2.2 Theories of Investment

There are many theories of investment that discussed such as classical, Keynesian, neoclassical, accelerate and other theories of investment.

2.2.1 Classical theory of investment

Classical investment theory is rooted in the concept of a laissez-faire economic market. Laissez-faire also known as free- market requires little to no government intervention. It also allows individuals to act according to their own self-interest regarding economic decisions. This ensures economic resources are allocated according to the desires of individuals and businesses in the marketplace. Classical economics uses the value theory to determine prices in the economic market. An item value is determined based on production output, technology and wages paid to produce the item. Government spending is not a major force in a classical economic theory. Classical economists believe that consumer spending and business investment represents the more important parts of a nation economic growth. Too much government spending takes away valuable economic resources needed by individuals and businesses. To classical economists, government spending and involvement can retard a nation economic growth by increasing the public sector and decreasing the private sector. Government spending is not a major force in a classical economic theory. Classical economists believe that consumer spending and business investment represents the more important parts of economic growth. Too much government spending takes away valuable economic resources needed by individuals and businesses. To classical economists, government spending and involvement can retard economic growth by increasing the public sector and decreasing the private sector (minsky,1982).

2.2.2 Keynesian theory of investment

The theory of investment behavior goes back to Keynesian(1936) general theory who first called observed that investment depends on the prospective marginal efficiency of capital relative to some interest rate that is reflective of the opportunity cost of investment fund. He further pointed out that because the rational assessment is volatile. He described this volatility of expectation by saying that investment decision depends on the private investors or entrepreneurs optimism or pressuring about the future. (Stephen land Anderson so lino, 1992)

2.2.3 Modern portfolio theory

Modern portfolio theory (MPT) is a theory of finance that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. Although MPT is widely used in practice in the financial industry and several of its creators won a Nobel memorial prize for the theory, in recent years the basic assumptions of MPT have been widely challenged by fields such as behavioral economics. MPT is a mathematical formulation of the concept of diversification in investing, with the aim of selecting a collection of investment assets that has collectively lower risk than any individual asset. This is possible, intuitively speaking, because different types of assets often change in value in opposite ways. For example, to the extent prices in the stock market move differently from prices in the bond market, a collection of both types of assets can in theory face lower overall risk than either individually. But diversification lowers risk even if assets' returns are not negatively correlated indeed, even if they are positively correlated. More technically, MPT models an asset return as a normally distributed function (or more generally as an elliptically distributed random variable), define risk as the standard deviation of return, and models a portfolio as a weighted combination of assets, so that the return of a portfolio is the weighted combination of the assets' returns. By combining different assets whose returns are not perfectly positively correlated, MPT seeks to reduce the total variance of the portfolio return.

MPT also assumes that investors are rational and markets are efficient.MPT was developed in the 1950s through the early 1970s and was considered an important advance in the mathematical modeling of finance. Since then, some theoretical and practical criticisms have been leveled against it. These include evidence that financial returns do not follow a Gaussian distribution or indeed any symmetric distribution, and that correlations between asset classes are not fixed but can vary depending on external events (especially in crises). Further, there remains evidence that investors are not rational and markets may not be efficient. Finally, the low volatility anomaly conflicts with CAPM's trade-off assumption of higher risk for higher return. It states that a portfolio consisting of low volatility equities (like blue chip stocks) reaps higher risk-adjusted returns than a portfolio with high volatility equities (like illiquid penny stocks). A study conducted by Myron Scholes, Michael Jensen, and Fischer Black in 1972 suggests that the relationship between return and beta might be flat or even negatively correlated.(Harry Markowitz,1952).

2.2.4 Accelerate theory of investment

An economic theory that suggests that as demand or income increases in an economy, so does the investment made by firms. Furthermore, accelerator theory suggests that when demand levels result in an excess in demand, firms have two choices of how to meet demand. Raise prices to cause demand to drop and Increase investment to match demand. The accelerator theory proposes that most companies choose to increase production thus increase their profits. The theory further explains how this growth attracts more investors, which accelerates growth. The accelerator theory was developed early in the twentieth century by Thomas Nixon Carver and Albert Aftalion, among others. Although this theory was conceived before Keynesian economics, it emerged just as the Keynesian theory came to dominate the economic mindset of the twentieth century. Critics argue that accelerator theory should not be used because it eliminates the possibility of controlling demand through price controls. However, empirical research on the accelerator theory has supported its use. The accelerator theory is interpreted to create economic policies. For example, would it be better to use tax cuts to create more disposable income for consumers who would then demand more products, or would it be faster to give those cuts to business, which will then be able to use more capital for growth? Every government and their economists create their own interpretation of accelerator theory and the questions it can be used to answer. (eklund,2009)

2.3. Empirical review

2.3.1. The Investment Environment

After these general introductory remarks, the researcher will now like to focus attention on the main issues of the topic, which is on the investment environment. The city has vast arable land with complimenting conditions that support agricultural activities and other investment activities. The comparative agricultural data of the city brings out clearly the latent potentials of the agricultural sector in jigjiga. According to jigjiga mayor office, two third of the city's land is suitable for investment, whether it is capital investment or agricultural investment.

Despite the huge resource base of jigjiga, the city has not been able to achieve a high level of economic growth, nor has it been able to attract a high level of Foreign Direct Investment (FDI) commensurate with its economic potentials and also domestic investment. In his assessment of the city investment environment, Mr. Mohamed load, senior employee of jigjiga mayor office and a senior member of jigjiga municipality committee on Investment said. Other problems raised by investors in respect of the city investment environment include- multiplicity of approving agencies, high interest rate, and so on.

2.3.2 Addressing Problems of the Investment Environment

It was against the background of the problems in the investment environment that the government articulated the guiding policies for revitalizing the Ethiopian economy and the promotion of FDI into the country. At this point, the researcher will highlight some of the key aspects of the government policies directed at addressing these problems. Rehabilitation of Socio-Economic Infrastructure Electricity: The

rehabilitation of socio-economic infrastructure has remained an activity of high importance to the government of Ethiopia since 1999 .Anti-Corruption Commission.Developing anti-corruption policies and strategies.Security of Life and Property. In order to ensure security of life and property, the government has made the funding, equipping, training and retraining of officers and men of the internal security agencies, especially the police force, a matter of priority. In order to increase the ratio of police officers to the population, the government has embarked on a program of recruiting 40,000 men per year into the police force. The budget for the police force is amongst the top three budgetary allocations made in the last three financial years. The overall effect of government's effort in this area is the drastic reduction of violent.New Regulatory and Institutional Environment. In order to bring the city into more competitive position for FDI, the government has legislated two major laws to guarantee investments against nationalization by any tie of government, and to ensure the free transfer and repatriation of funds from the city. Long Term Funds/Cost of Capital. The Ethiopian government is addressing the problem/issue of local long-term fund for investment as a matter of high priority

2.3.3 Investment Situation and Trends

There is no doubt that jigjig's investment environment is still characterized by major challenges. Definitely, it will take more time for government's efforts to result in a major transformation of the investment environment. it is a fact that the participants are interested in it and if the business environment improvements gets underway as advanced by the current government, a great business chance will arise". Indeed, the great business chance is already rising for much investor. This position is supported by data on investment in Ethiopia between 1999 and March 2002:

3. METHODOLOGY

To conduct the study, the researcher was use descriptive designs which were quantitative approach. The researcher was use primary and secondary types of data. The primary data gathers through questionnaire. The questionnaires were given to the investors and filled by them. And the secondary data were collected from publications of investment bureau of Jig-jiga city administration from publish books and also the internet. The target population of this study was 90 investors from the manufacturing sector, industries sector, construction sector, businesssector, service sectors, and the agro processing sector. As Sample size, there were 90 investors in jigjiga city in 2017 with 2,434,917,750 registered capitals. From this only 20 was running their investment, and the other remaining was weather their on the beginning or on preparation. Based on this the study determine the sample size using the following formula: $n=N/1+N(e)^2$ where n=sample size, N=population size, e= margin error. By using the above formula the researcher will identify 90 samples among in jigjiga city bureau investment

$$n=90/1+90(0.05)^2 =73$$

As Sampling Method, the study was use to stratify sampling from probability sample design because it is the best technique for studies which constitutes heterogeneous nature of population i.e. the manufacturing sector, industries sector, construction sector, business sector, service sectors, and the agro processing sector) to change the heterogeneous population in to homogenous and to provide equal chance for them while distributing questionnaire. Therefore, the study will use proportional stratify sampling to select representative sample, the sample size of each stratum will proportionate to the population size of the stratum. This means that each stratum has the same sampling friction. Therefore, the sample from each stratum was selected as follow using simple proportional stratified sampling formula. Since $n=73$, N =population size, n_i =stratum sample size for each. N_i = the population of each stratum. Using this formula, $n_i = n \times N_i / N$; service sector $n \times n_i / N = 73 \times 21 / 90 = 17.8 = 18$, Agro-processing = $9 = 7.3 = 7$, Industrial sector = $35 = 27.6 = 28$, Agriculture sector = $4 = 3.2 = 3$, Construction sector = $7 = 5.6 = 6$, Business sector = $14 = 11.4 = 11$. Therefore $n_1 + n_2 + n_3 + n_4 + n_5 + n_6 = n = 18 + 7 + 28 + 3 + 6 + 11 = 73$. Eventually the researcher will be used random sampling to distribute the questionnaires for each respondent from each stratum. The Method of data collection was Questionnaire which was appropriate instrument for the researcher to collect original data from investors and investment bureau of Jig-jiga city about the investment opportunities and its challenges of the town.

The researcher was used questionnaire for gathering various information from different investors of the city about investments opportunities by close-ended questions and open ended questions. After the data is being collected, data was processed on the activity, which involves editing coding, and classifying data to make it suitable for further analysis, descriptive analysis would investors to examine the finding of the study. Since, it refers to procedures for organizing, summarizing and describing quantitative data about the sample of the study.

4. RESULTS AND DISCUSSIONS

4.1 Respondents' Profile

Table 4.1.1 Respondent demographic characteristic

No	Variables	Description	Frequency	Percentage
1	Sex	Male	38	76%
		Female	12	24%
		Total	50	100%
2	Age	30-40	13	26%
		41-50	24	48%

		51-60	3	6%
		61-70	10	20%
		Total	50	100
3	Education level	Diploma	16	32%
		Degree	14	28%
		Master	9	18%
		Less than 12	11	22%
		Total	50	100
4	Investment experience	<5 years	15	30
		5-15	8	16
		5-10	-	
		11-15	17	34
		16 above	10	20
		Total	50	100

(Source; researcher's survey)

As show on the table above, the male and female respondent of the investors account for 76% and 24% respectively. in addition to this on the above table item 2 the range age out of the total respondents, 13(26%) of the were between 30 to 40 years age, 24(48%) of them were 41 to 50 years age, 3(6%) of them were between 51 to 60 years age and the remaining 10(20%) of the were 61 to 70 years age. As we observed from the finding, the largest population of the study population lied between age group 41 to 50. With regard to educational level, the majority of the responses show that they are diploma holders and the amount of the 16(32%) where as some of respondents are degree holders and a few are master holders and other remaining are less than grade 12 which respondents 14(28%) and 19(18%) and 11(22%) respectively. This result indicates that the investors have good educational background and it may have a positive impact on the investor's performance. In addition to this the better educational qualification of the investors has the better success of the investment. So the investments hold better educational capabilities. On the other hand the experience of respondents indicates that the investors have more or less better experience in the investments as their response shows i.e. 15 (30%) have less than five years of experience and the remaining 8(16%) and 17(34%) are 11-15 years and 10(20%) and above 16 years' experience.

4.2. Challenges that affect investment (Administrative related challenges)

According to the table 4.2.1 only 40 % investors out of the total are satisfied with the service giving of the bureau. And 60% of the investors are not satisfied with the service giving of the bureau. Respondents who said the investment bureau's service giving is bureaucratic and long waiting were asked in an open ended question to describe it and most of them listed the following general characteristics. Most of the times employees of the bureau spent their times in meetings and it is hard to find them at their office. There is delay

in registration. There is shortage of man power in the office and this shortage of man power is causing delays. There are unethical workers who are being an obstacle to the process of the registration and are bad images of the office. From this information we can understand that most of the investors are not satisfied with the service giving of the town's investment bureau.

4.3 Corruption situation

In the above table 4.3.1 it is revealed that 54% of the investors have been asked to give bribe by investment bureau officials in the process of registration which leaves only the 46% of the investors have never encountered with such problem. From this finding we can say that most of the investors have been asked to give bribe. Besides this indicate that there is a tendency of corruption from some of the bureau employees.

4.4 Response of investors towards corruption

Based on the table 4.4.1, 56.3 % of the investors who have been asked to give bribe by the bureau official agreed to give the bribe. This indicates that there is little effort from the investor's point of view to fight corruption. Only the 44.7% of them informed to the concerned body regarding the corruption situation. Therefore it implies that most of investors who have been asked to give bribe by officials were willing to give the bribe which is not helping in combating corruption.

4.5 Corruption handling

Based on the table 4.5.1, only 28.7% of the investors who have been asked to give bribe follow up the situation regarding the corruption and saw the corrupted officials get their punishment. 14.2 of the investors who have been asked to give the bribe replied that the corruptor who asked them to give bribe did not get any punishment which is an indicator that is a problem in system. Most of the investors which are 57.1% of them replied that they don't know whether the corruptors get punishment or not. Based on this we can say that there is a problem of follow up regarding the situation.

4.6. Infrastructural related challenges

According to the table 4.6.1, 90% of the respondents replied that there is no enough infrastructural coverage in the town. This indicates that they are not satisfied with infrastructure of the town. Only the remaining 10 % of the respondents replied that there is enough infrastructural coverage in the town.

4.7 Water and electricity coverage

As indicates on the table 4.7.1, only 22% of the respondents replied that there is good coverage of water and electricity in jigjiga city. But the remaining 78% of the respondents don't agree with this. 50 % of the respondents replay that there is shortage of water and electricity in the town, 16% of the respondents replied that there is continuous cuts of power and the remaining 12% of the respondents replied that there is both shortage of coverage and continuous cuts of power in the town.

4.8 Road coverage

As it is clearly stated in the table 4.8.1, 90% of the respondents replied that the road coverage of the town is not good enough for their business. And the remaining 10 % replied the road coverage is good for the business they are running. Based on this it can be said that the investors are having difficulty of finding good road to help them in their investment.

4.9. Market related challenges

As it is clearly stated in the table 4.9.1, Referring to table 3.8, 50% of the investors (respondents) replied that they find enough market for their goods and services and the other half (50%) of the respondents replied that they don't have enough market for their goods and services. Based on this there is a balance in finding market for the products they produce.

4.10 Reasons for lack of market

Based on the table 4.10 most of the respondents i.e. 64% of them replied that being new in the business is the main reason to have lack of market. 16% of them as others factors as main reason for lack of market and the remaining 20% replied that lack of government support as the reason for lack of market. Generally most of the respondents replied that being a new in the business is the main reason for the lack of market they are facing.

4.11 Effect of investment on development of the city

Investment has a big role in creation of employment and in return it brings development. It is not only in creating job opportunity but it is a main source of revenue for the government through taxation. The following data from the unpublished reports and documents of jigjiga city investment bureau shows how different investment sectors are creating employment. Based on the table 4.11, According to the report of investment bureau about 1235 permanent jobs and 733 temporary jobs are created and to be created. From this the industrial sector takes the largest share which is 892 are permanent and 368 are temporary. From the samples the researcher took the manufacturing sectors employed 771 employees and the construction sector employed about 300 employees. Those who are employed are not the only beneficiaries of the job created but also their families and relatives.

4.12. Incentive system of the government

According to the table 4.12, most of the respondents i.e. 80% of them replied that they get incentive from the government. And the remaining 20% replied that they did not receive any governmental incentive. Generally it can be said the government have good incentive system.

4.13 Incentive types

According to table 4.13, most of the respondents, 63% replied that the incentive they receive was tax exemption, 21% replied technical support and the remaining 16% replied long term loan. From this it can be said that the government choices to give tax exemption as the main method of incentive followed by technical support and long term loan. In line to the above question the respondents were asked in an open ended question to list the role of incentive on their works and they give the as following; It helps them to give quality service, It helps them to concentrate on the present work efficiency and effectiveness for a better future for themselves and their employees, The technical support from the government helps for new investors to run their business effectively.

5. Conclusion

Most of the investors were not happy with the service giving of the town. Some of the investors said that they have been asked to give bribe by the bureau employees which are 54% of them. Over half of the investors have agreed to give the bribe to bureau of investment promotion employee. Investors who reported about corruption case don't follow the handling of the problems. Most of the investors don't believe that there are enough infrastructures in the town. Most of the investors are not happy with water, electricity and road coverage of the town. Most of the investors are having difficulty of finding good road to help them in their investment. Generally most of the respondents replied that inflation is the main reason for the lack of market they are facing. Half of the investors find markets for their products and services. Most of the respondents replied that they receive incentives from the government and it is helping them in their investment. Most of the investors in the city have temporary employers. The role of incentive on their works and they give such as It helps them to give quality service, It helps them to concentrate on the present work efficiency and effectiveness for a better future for themselves and their employees, The technical support from the government helps for new investors to run their business effectively. Tax holiday helps them to cover their costs without worrying about the tax for some time and helps to attract new investors.

Moreover, there is slow service giving in the town's investment bureau and it is delaying the works of investors. There is a tendency of corruption from some of employees of the bureau and this is not creating good image for the town's investment bureau. Most of investors who have been asked to give bribe by officials were willing to give the bribe which is not helping in combating corruption. There is follow up problem from investors who have been asked to give bribe and reported to the concerned bureau. There is high problem of infrastructure in the town. Market is not as such big challenge for the investors. Being new to a business is the main reasons that affect marketing of the investments. Investment is playing big role in creating job opportunity for the town residents. There is good incentive system from the government's point of view to investors. Tax exemption the main incentive given to investors.

Recommendation

The bureau should assess the system and should try to modify it in order to provide good service for investors. The bureau should give awareness creating trainings on corruption for its employees to combat

corruption and the controlling method of its employees should be improved. Investors should not cooperate with corrupt officials instead they should report to concerned body and follow up the problem. The government should give due attention to improve the infrastructural coverage of the town. New investors should get support from the government in order to find market for their products. The government should continue to support investors because it is good for the investment expansion.

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