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### **Opportunities and challenges of private investment activities in north Shewa zone of Oromia regional state, Ethiopia**

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**Abstract:** The study is aimed to investigate the major challenges and opportunities of investment activities in North Shewa Zone which is found in Oromia regional state and indicates the direction for investment how to deal with those constraints. Descriptive type of research design used in this study in order to obtain necessary primary was collected. The study enclosed qualitative and quantitative type of research approach. Specifically the study surveys 222 investment projects (from total population of more than 497 investment projects). Also out of the 11 districts found in North Shewa Zone, 6 districts were selected as a sample purposively. The outcome of this study revealed that major challenges of investment activities in north Shewa zone of Oromia regional state are infrastructural related problem, corruption and finance related problem, while cheap labor or man power, unused natural resources, location and climate condition are treated as investment opportunities in north Shewa zone.

**Keywords:** 1.Private Investment, 2.Opportunities, 3.potential, 4.Corruption, 5.Challenges, 5.North Shewa zone, 6.Oromia Ethiopia

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#### **1. Introduction**

Investment plays a great role in capital formation of countries development; especially in developing countries where capital is scarce and their government lack of enough capacity to cover all enhance economic advancement for development. High domestic and foreign direct investment growth rates are critical in generating economic growth particularly in countries such Ethiopia that are characterized by scarcity of technology advancement, high dependency on agriculture, high unemployment and absolute poverty.

A good investment climate provides opportunities and incentives for firms to invest profitably, create jobs and expand output, thereby increasing domestic investment and growth. Different studies show that the better the investment climate the higher the levels of both domestic and foreign investment are likely to be (Bank, 2010). A good investment climate not only benefits the potential investors, but also society as a whole. It can play a significant role in reducing unemployment by enabling enterprises to grow and increase their profitability's.

According to the Investment Proclamation No. 769/2012, the investment objectives of the Federal Democratic Republic of Ethiopia are designed to improve the living standards of the people of the country through the realization of sustainable economic and social development.

North Shewa zone is rich in natural resource and human resource. The good climate and fertile soil are suitable for the agriculture of wide ranges of crops and live stocks. But this land of plenty is also suffering from poverty, lack of infrastructure, under development health center and fundamental ills of the economy system and reacts up on to keep the country under development.

Different researches were conducted on the area of determinants of investment activity. The study done by Belay focuses on bureaucracy related problem, power supplies as factors that determine investment activity (Belay Kucchi, 2005). Similarly the research under taken by (Gatberuach, 2015) finds factors that determine the investment activity are investment incentive, and interest rate. Nebil,et at (2010) concluded that private investment sector in Ethiopia is still at an early stage of growth due to the inheritance of a command economy. Totally, Creating Understanding about Ethiopian investment process is important issues as Ethiopia still now characterized by scarcity of technological advancement, dependency on agriculture, low infrastructure and high level of unemployment and poverty rates. But, to the best of our knowledge, the Ethiopian investment opportunities and its constraints have not been well researched in this particular study area. Though there are many factors that hinder the investment activities this study conducted by taking in to account some factors such as socio cultural factors, economic factors, political factors, institutional problem and corruption. Besides to this study tried to address the question of what really motivate individuals or organizations to invest in North Shewa Oromia regional state. Thus, the study conducted to identify challenges and opportunities of investment activity particularly in North Shewa Oromia Regional state.

It is clear that any study may has a wider applicability when it is conduct in a wider scope or area however, due to financial limitation this study is limited to only North Shewa having objective of identifying investment opportunities, challenges and potential of investment in the Zone.

## **2. Empirical studies on opportunities and challenges of investment**

Despite variations and differences in relative influences, factors looking in many of the studies are more or less similar. According to Shiimi and Kadhikwa (1999, P. 9-13, on Namibia), Astatike and Assefa (2005, P. 3-8, on FDI (foreign direct investment) in Ethiopia), studies on the main determinants and the relation between domestic investment and FDI, and, Ndikumana&Verick (2008, P. 4, on Sub-Saharan Africa) have come out with much similarity lists of factors affecting both domestic and foreign direct investment including natural resources, initial level of economic structure (industrialization), GDP growth, GDP per capita, domestic saving, labor inputs, surrounding market, expected return, human capital, access to credit and foreign exchange. Trade-related factors (openness, trade connection, export orientation, trade liberalization, degree of competition), macroeconomic stability (inflation, exchange rate volatility and BOP deficit), infrastructure, investment climate, corruption and red tape, efficient institutions, legal system, and lag effects of private investment, public investment and FDI are also in the list of the identified determinants.

Different surveys of studies highlighting the main determinants of investment. From the survey as well as their own empirical analysis, Nonnemberg and Mendonca (2004) found that the size of the market, economic stability, the degree of openness of an economy, the rate of GNP growth, human capital, administrative bottlenecks as well as many other institutional factors as the main determinants. Similarly other survey has conducted about 15 empirical works and shown that most of the results of the studies have found out with contradictions. In most of the studies, GDP growth and GDP measuring size of domestic market and openness are found less provocative in influencing the trade barriers, exchange rate, and flow of FDI positively while labor costs and trade balance variables have exhibited fragile properties in different studies. In justifying the contradictory findings of different studies, Lee has also identified problems of endogeneity and omitted variable bias as plausible reasons (P. 3-9). However, correcting for such econometric problems by including some other potential variables and using new measures of government barriers and policy indices, using panel data from 127 developing countries over the period 1995-2000, Lee (2003) has reached at the same conclusion in that a country's market size, openness to trade and government policy liberalization are crucial factors of FDI (P. 18).

According to the studies reviewed, the main determinants of investment are found to include degree of openness and liberalization resource availability, market size, human capital, macroeconomic stability, policy variables, investment climate, political stability, lag effects, incentive packages, risks involved, institutional facilities and infrastructural, among others.

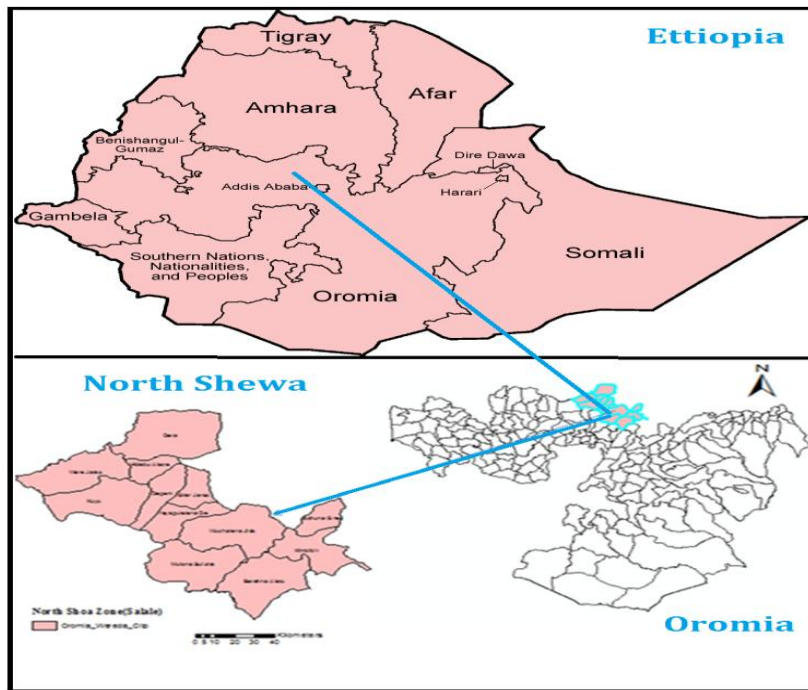
Studies conducted by Mekonen, 2008 indicated that there is extremely low investment in Ethiopia resulting low GDP to the Country. Daniel ,2004 has conducted research modeling the determinants of investment activity in Ethiopia and indicated that investment constrained in developing countries and it is affected by risk and uncertain factors and identified that determinants of investment activity, international and domestic risk variables, effects of external financial constraints, out on the private investment and public investment of infrastructure. Researcher identified that the determinants of investment activity by real exchange rate, the, investment policy, availability of finance, debt over hanging and debt service payment. Research conducted by (Mauro, 1995) found out Corruption as main factor affect investment activity and there by resulting poor economic growth.

### 3. Research Methodology

#### 3.1. Description of study area

The study conducted in the North Shewa Zone of Oromia regional state in Ethiopia. North Shewa Zone is located in the north-western direction of Addis Ababa. The zone is situated between 9030N and 38040E. The topography is ragged terrain with most of Plato. The altitude ranges between 1300 and 2500 meters above sea level. It is divided into three agro-ecologies, namely, 15% Highland, 40% Midland and 45% Lowland (CSA, 2007). There are two rainy seasons, namely Belg (February - April) and Meher (June - September). The average annual rainfall ranges from 1400 to 1600 mm; while mean annual temperature varies between 15 and 19 oC.3.3. According to North Shewa Health Office of 2018 the zone has total population of 1639587 of whom 820595 men and 818992 women with area of 10,322.48 km<sup>2</sup>. The zone contains woredas like AbichuGne'a, Kembibete, DebreLibanos, YayaGulele, Degem, GerarJarso, HidhebuAbote, Dera, , Kuyu, WeraJarso, Sendafa (Town)Beke, Aleltu,, Wuchale(MukaTuri), Jidojida.

**Figure: 1 Location of North Shewa Zone**



### 3.2. Research design

The researchers have employed descriptive type of research design to address research objectives. In addition to this qualitative and quantitative research approach, which combined research approach remove any biases that exist in any single research method (Creswell, 2003).

### 3.3. Sources of Data

The researchers used both Primary and secondary data sources. Primary data was collected using questionnaires (a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner); interviews and observations (involves systematically selected, watching and recording the constraints and opportunities of investing in the selected district) from officials of the investment office, investors and beneficiaries. The researchers also used Secondary data from reviewing of documents from North Shewa Zone investment office.

### 3.4. Data Collection Instrument

The necessary data collected by using questionnaires, interviews, observations and focus group discussion as well as by reviewing secondary data sources documents. Questionnaires were used to collect data from investment office employees of sample districts and from investment project Managers or owners of sample projects. Both open-ended and close ended questionnaires used. Interview was also support to collect data from Investment office officials of sample districts and from Managers or supervisors or owners of sample projects to crosscheck the data that is collected by using questionnaire. Furthermore, observation of sample projects and districts were conducted by the researchers to see the visible parts of the opportunities and challenges of investment such as land, infrastructure, whether condition, topography, altitude, raw material availability, etc.

In addition since investment is assessment is in different points of view focus group discussion and key informants were employed at each selected districts and town administration to dig out further information.

### 3.5. Target Population

According to North Shewa zone Oromia regional state investment bureau currently there are only 497 are on operation so, the study is conducted by considering total number of these 497 investors' represents the target population of the case study. Referring the same sources there 197 in town administration and 300 in district levels in general there are 497 investors in the zone.

In addition the office reveals that investment in the Zone is concentrated one services followed by dairy farm and milk processing/agriculture while trade, manufacturing are 3<sup>rd</sup>, and 4<sup>th</sup> places respectively.

### 3.6. Sample and Sampling Techniques

The researchers selected Sample districts by using purposive sampling. Purposive sampling was employed due to the different numbers of investment projects found in each district, and the geographical distribution of districts from the zone capital, Fitcha. Therefore, 50% of the investment place accordingly the first 6 namely Fitcha Town, Aleltu, Wuchale, Kimbibit, Kuyu and Debrelibanos are taken as study area.

In addition, the researchers selected participant investors /investment activities/ by taking into account the total population, the research budget and the available time for research, the actual sample size of this study was determined by (Yaro Yamane, 1967) sample size determination formula.

$$n = \frac{N}{1 + N(e^2)}$$

Where: n = the actual sample size

N = the total population

e = Degree of accuracy usually set at 0.05

So, depend on the above formula actual sample size for this study:

$$n = \frac{497}{1+497(0.05^2)} = 222$$

From the total population of 497 investors in the six (6) selected woredas of north shewa zone of oromia regional state (Fiche Town, Aleltu, Wuchale, Kimbibt, Kuyu and Debrelibanos), sample of 222 investors were taken as sample respondents based upon the above formula. Therefore sample size from each sector can be determined proportionally as follows.

**Table: 1 Investment sectors**

Types of investment activities/ types of sectors	No of population	Sample size
1. Service	164	73
2. Urban agriculture	160	72
3. manufacturing	75	33
4. trade	98	44
Total	497	222

### 3.7 Methods of data analysis

Data analysis began with the editing to ensure the completeness, consistency, and readability of the data.

The analysis of data collected was accomplished by the use of Statistical Package for Social Science (SPSS) software version 20, where the scores assigned to each factor by the respondents was entered and consequently the responses from the questionnaires retrieved subjected to statistical analysis for further insight. The study employed descriptive analysis. In line with this the results of the study presented in tables, figures and charts using frequency and percentage and other statistical methods; which would enable in simple understanding to the reader and the user of the research work. Finally, the interpretations made according to the survey results.

## 4. Results and discussion

Study results are presented in a descriptive analysis of the survey data. Descriptive statistics such as mean, standard deviation, percentage and frequency distribution were employed.

### 4.1. Response rate

Based on the sampling method of the Study, A total of 222 questionnaires were distributed to the respondents who are participating in study area. From these (222) questioners distributed all are returned. So that response rate for this study also 100%

### 4.2. Respondents profile

**Table: 2 Profile of the respondents (individual respondents)**

Variable	Category	Frequency	Percent
Sex	male	188	84.68
	female	34	15.32
	Total	222	100.00
Age	20-30	13	5.86
	31-40	69	31.08
	41-50	101	45.50
	51-60	25	11.26
	above 60	14	6.31
	Total	222	100.00

Marital status	single	31	13.96
	couple	159	71.62
	divorced	12	5.41
	widowed	20	9.01
	Total	222	100.00
Education	Illiterate	1	0.45
	Read and write	26	11.71
	Elementary	42	18.92
	High school	35	15.77
	Above high school	118	53.15
	Total	222	100.00

The above table shows that most of the participants in the study with regard to **sex** of the respondents as shown in the above table male 84.68%) and female 15.2%). This indicates that most of the participants in each investment activities are male in relative to female employees exist in the investment office. From similar table With regard to age is concerned, 13 (35.86%) of the respondents are in the range of 20-30 years, 69 (31.08%) of are in the range of 31-40 years, 101 (45.5%) of the respondents are in the range of 41-50 years, 25 (11.26%) of the respondents are in the range of 51-60 years, and 14 (6.31%) of are in the range of above years. Regarding to marital status of respondents 13.96% of respondents are single and 71.62% of respondents also married/ couple and the remaining one is widowed and divorced people. In other hand the above table shows that 0.45% is illiterate, 11.71% of respondent also have ability to read and write, 18.92% of respondent has elementary educational background, 15.77 is above high school and 53.15 is above high school. This indicates most of the respondents are educated and have good understanding about opportunities and the challenges of investment activities in north Shewa zone.

#### 4.3. Investment activities the investors are engaged in.

According to the North Shewa Zone investment office investors in the zone are practicing in different sectors. Accordingly, investment activities are concentrated on services followed by dairy farm and milk processing/agriculture while trade, manufacturing are 3<sup>rd</sup> and 4<sup>th</sup> places respectively.

In other ways investment projects are mainly concentrated in the town administrations, referring the same sources among 497 investment projects 197 of them are in town administration while 300 of them are in districts levels.

**Table: 3 Types of investment currently investors engaged in**

Types of investment investors engaged in	Sectors	No respondents	Percentage %
	Service	73	33
	Dairy farm and Milk processing/ urban agriculture	72	32.4
	Trade	44	19.8
	Manufacturing	33	14.8
<b>Total</b>		<b>222</b>	<b>100</b>

Source: Survey result 2020

The above table indicates that majority of the investors in the zone concentrated in investment in service sector (33%) followed by dairy farm and milk processing/ urban agriculture (32.4%) and trade (19.8%) and manufacturing (14.8%) ranked as 3<sup>rd</sup> and 4<sup>th</sup> places. From the types of investment currently engaged in north Shewa zone most of the investors engaged in service sector as well as urban agriculture.

#### 4.4. Sources of Investment

Investors need bulks of finance in order to finance their investment from different sources, as the financing investment is the determinant to invest or not to invest the following table shows the sources of the sampled investors to finance their investments.

**Table: 4 Sources of Finance**

Sources of finance	Frequency	Percentage
Government Banks	28	12.7
Private Banks	46	20.7
Micro finance institutions	68	30.6
Personal Saving/Own financing	80	36
Total	222	100

Source: Survey result 2020

Although investors finance their investment from different sources including personal saving 36% of the sampled investors financed their investment from personal saving without any support of banks and others institutions, 30.6% of the sampled investors financing depends on micro finance institutions like Oromia Credit and Saving share company(OCSSCO), Liyu and vision fund while 20.7% of the sampled investment financed from loan processed form private banks and the remaining 12.7% of the investment with huge amounts of money financed from government bank.

Even though financing investment is attached to different sources, no single source of financing solely observed because investors financed their investment from different sources means that most of investors who borrow from banks and other micro finance institutions add some amount of finance from their own personal saving and there are borrowers from different sources as the same time for single investment.

The investors also revealed that there shortage of line of financing once investment as it is difficult to borrow from banks and other micro finance institutions due to different criteria they like holding fixed asset like house and car needed to be secured.

#### Finance related factors affecting private investment

The above table shows that majority (48.7%) of respondent has lack of credit access and working capital. In addition 18% of the respondents said that they didn't get the required amount of loan from financial institutions because of high level of interest rate on loan and 33.3% of respondents socked about lending bureaucracy.

**Table: 5 Accessibility of their financial support (loan process)**

Loan process	Freq.	Percent	Cum.
good	30	13.5	13.5
not good	161	72.5	86
I don't know	31	14	100
Total	222	100	

Source: survey result, 2020

With regard to loan process or accessibility conditions of loan from financial institutions to investor's majority of respondents (72.5%) are said that getting loan from financial institutions is not good because of lending bureaucracy and other related problems and 13.5% of respondents are feeling good. But remaining respondents have no ideas about loan process conditions.

#### 4.5. Inputs for the investment

Most of the investment depends on the factors of production including labor within the around while only few of them transport inputs from other places. The following table shows difficulty related to obtain inputs for once investment.

**Table: 6 Getting inputs in nearby**

Question	Level	Frequency	Percentage
How is getting factors of production/raw material and cheap manpower in nearby without difficulties?	Very good	108	48.6
	Good	82	37
	Moderate	24	10.8
	Not good	8	3.6
Total		222	100

Source: Survey result 2020

Investment located in the need the factors of production and rounding to minimize cost of productions and most of the investment or 48.6% in the sample ensured by obtaining factors of production including labors near to the investment places indicating their satisfaction on this side by responding very good. 37% of the sampled investors responded good to obtain the raw material and cheap labor needed for the investment without difficulties which reveals again investing in the zone enables investors to obtain factors of production including labor without difficulties while insignificant and special investment depend on rarely populated resource and materials not located in the zone responded moderate and not good as they incur high cost relatively and suffered to capture the factors of productions except labor due to the nature of their investment.

#### 4.6. Common Challenges Faces Investors

Electric power supply, roads for transport, water supply and telecommunication are the important for the investment and the existing challenges regarding these supplies of such important inputs are indicated in the following chart.

**Table: 7 Investment license acquisition process**

Question raised	Level	Frequency	Percentage
How do you state the time taken to get investment permission?	Short	28	13
	Medium	45	20
	Long	101	45
	Very long	48	22
	Total	222	100

Source: survey result, 2020

The above table (table 4.7) shows that most of the respondents (45% said that acquisitions of investment license took long period, in addition to this 22% of respondent said that it is very long. While 20% of them said they acquired investment licenses in moderate time. On the other hand, few of the respondents (13%) replied that they acquired the investment license within short time. This survey result indicates that majority of respondents take long time for investment permission process before their operation.



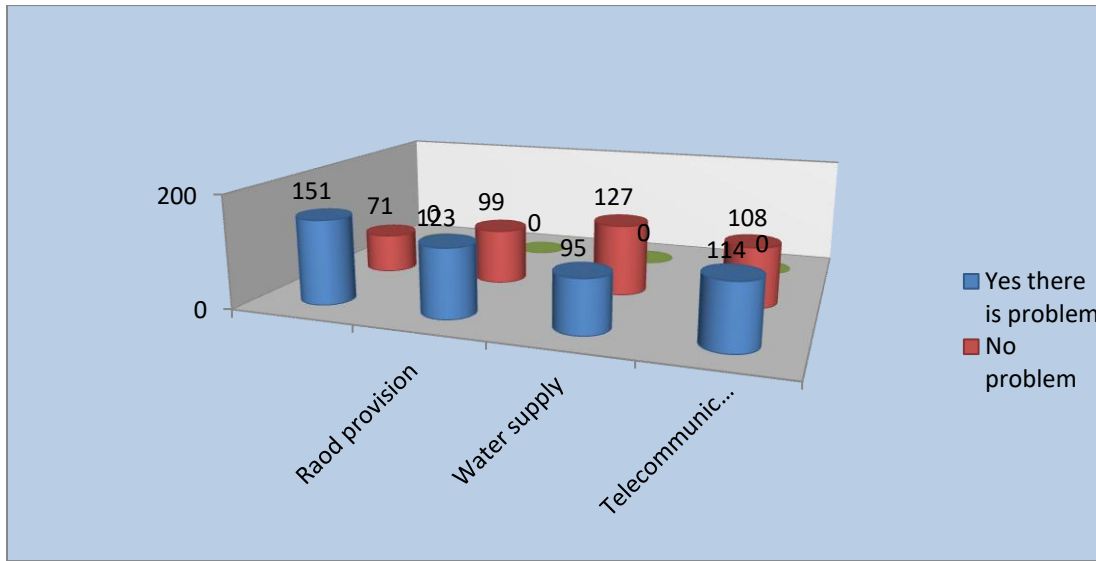
**Table: 8 Investment License Renewal Service**

Do you renew your investment Permit without any difficulties?		<b>yes</b>	<b>No</b>	<b>Total</b>
	<b>Frequency</b>	<b>80</b>	<b>142</b>	<b>222</b>
	<b>Percentage</b>	<b>36</b>	<b>64</b>	<b>100</b>

Source: survey result, 2020

As table 4.8 shows that they faced difficulties when they renew their investment licenses (64%), while 36% of respondents did not faced any problem during renewal of their investment license. This survey result indicates that there is an institutional factor in investment offices.

**Figure: 2 Infrastructure related factors**



Source: Survey result 2020

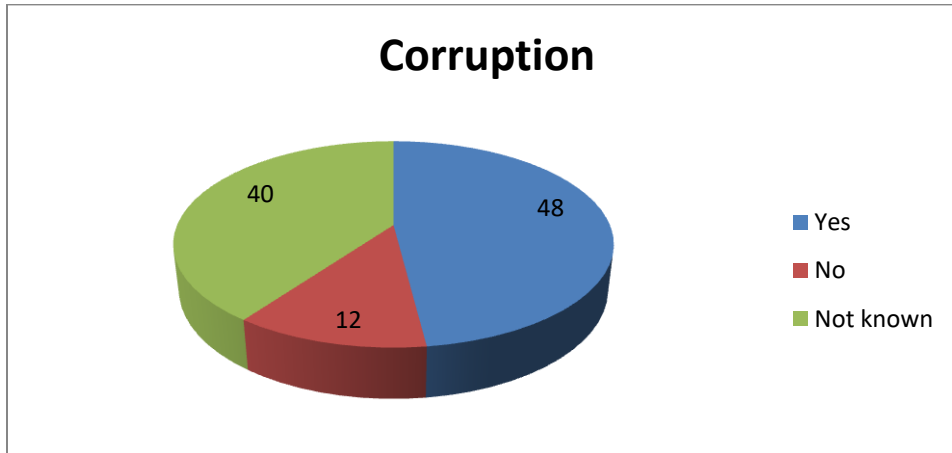
As most of the investments in zone are concentrated around woredas towns and Fitcha or the center of the Zone all investment needed inputs like electric power, road, water, and telecommunication. Accordingly all the sampled investment activities assessed to identify whether they have or not the problems of such inputs majority of them are faced different related problems.

Out of 222 sampled respondents 151 says that in investment area electric power supply and interruption related problem is very high. This was generating severe difficulties for each investment activities sector in general and manufacturing in particular. In addition high power interruption was causing some investment sectors fail to continue their operation for long period of time. Some said the shortage of transformers, caused the interruption. Even the majority of respondent said the problem was not only power interruption but also the power had less power when available. Additionally, more respondents revealed that responsible government sectors take long time to install power transformers for each investment sectors. From the sampled investors 123(55.4%) of respondents respond that we have problem of transportation due to the existing road is not suitable to transport on as only single asphalt road crosses the zone from Addis Ababa to Amhara region while the remaining roads that connect districts to districts and districts to center of the zone are dirt roads which makes all transported goods and services more costly. From sampled population limited respondents said that even though there is coverage of water supply and telecommunication services sometimes there is no continuity of such services and these enable the investment not to succeed, but this problem is on its normal thresholds when compared with research conducted in other places in Ethiopia and the impact due to such problem is insignificant.

**4.7. Corruption related problems**

Investors assessed regarding the corruption related problems, with yes or no question and their responses as provided in the following chart.

**Figure: 3 Corruption related problems**



Source: Survey result 2020

As it is indicated on the above figure 48% of the total sampled responded yes for the existence of corruption and the corruption case is too complicated in the zone in order to get services from different office each and every service attached to corruption even it is known that to obtain services from government offices it seems like official to invite tea coffee the officer or services deliverer. What should be noun here inviting tea and coffee is not really invite coffee and tea rather inviting coffee and tea is a hidden prove verb represent providing informal payment for the officers or services deliverer with the amount that the services deliverer individuals determined. The investors even prolonged the corruption manners are not only determined to investment activities rather it is experienced and deep-rooted services delivered by government officers of different offices.

Among the sampled investors 12% of the investors were not revealed the existence of the corruption in the zone as they responded no for the question “is there any corruption related problems?”While the remaining 40% of the total sampled investors were not responded for both yes or no for the existences of corruption.

**4.8. The main opportunities to invest in the area**

The following table implies the different opportunities that attract the investment in North Shewa Zone.

**Table: 9 Opportunities of Investment**

Opportunities	Frequency	Percentage
Cheap labor force	110	50
Climate condition	50	22.5
Reliability of security	10	4.5
Existence of factors of productions	47	21
Government support	5	2
Total	222	100

Source: Survey result 2020

As all the sampled investors asked for the opportunities of investments in the zone 50% of the sampled investors responded first as there are sufficient and cheap labor forces in the area, the next opportunities associated with good weather condition as 22.5% of the respondents first selected the climate condition attractive opportunities, the peace and security in the area responded by 4.5% investors on the first as the zone covered mostly by nations Oromo and Amhara and there is no conflict among the nations and generally the security of the area enables the investors to be sure for what they are investing on. 21% of respondents reacted that there is raw material existence for their investment and Government support and incentive also covers 2%.

#### 4.9. Potential Sectors for the Investments

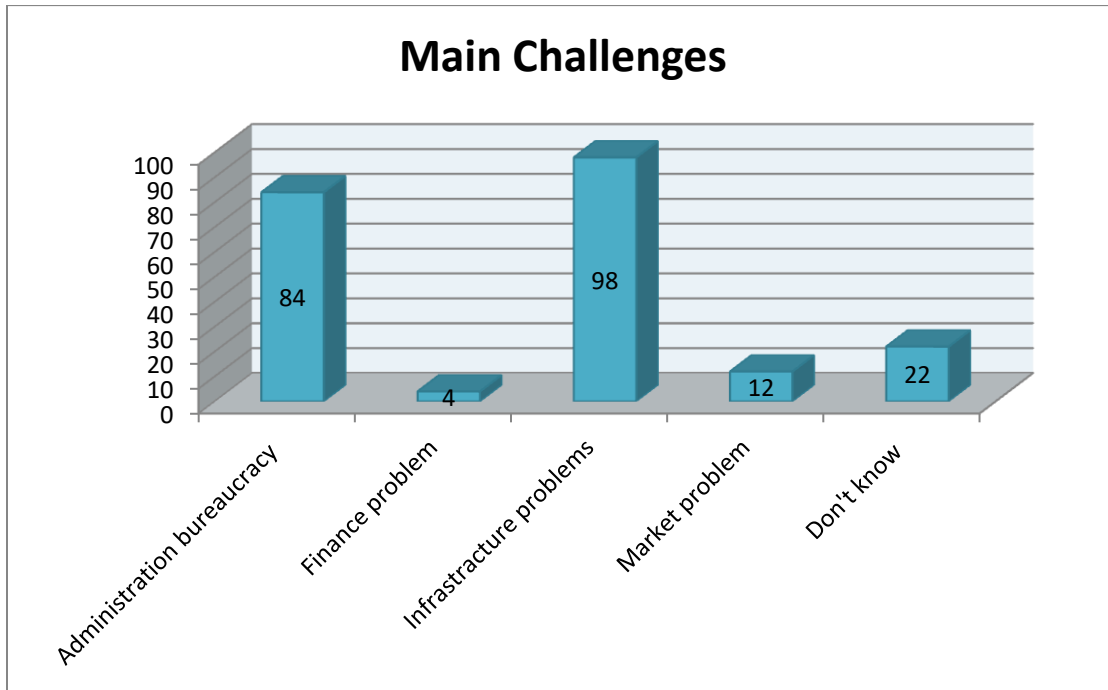
North Shewa Zone identify the following investments potential including for its location approaches to capital city Addis Ababa, climate condition, cheap labor forces, unutilized area and other reasons.

- ✦ **Milk processing:** -North Shewa Zone supply huge amounts of raw milk daily after killing. The milk suppliers are concentrated around the towns of the Zone which gives opportunity to collect milk as soon after milking. This is due to there is no machine process milk, if milk will processed and supplied for consumption nearby the source of the milk it enables investors profitable, creates job opportunity in the area, enables milk producers to sell their milk nearby market.
- ✦ **Cattle production:** - Area is enriched by moderate climate condition which producers to produce milk in mass as milk is too commercial in the area.
- ✦ **Quarrying:-** Since the land formation of the area is surrounded by dissected plateau and enriched by the stock of stone used for construction and ornament and the towns in the zone on the stage of alarming construction period, quarrying will make the investors profitable.
- ✦ **Mining:** - North Shewa Zone is rich with unextracted mines like limestone, rock for construction as the zone contains different land formation and climate conditions which enables the zone to contain different minerals.
- ✦ **Entertainments:** - The zone has no entertainment places for wedding, swimming, parks, zoo and any other entertainments are not found in the zone and the resident of the zone going other places like Sodere, Bishoftu etc for entertainment.
- ✦ **Education:** - Private educations are not well practiced in the zone compared to other towns in other places starting from KG to college levels. Especially evening education for below grade 12<sup>th</sup> is not practiced even in the capital town of the zone, Fitcha.
- ✦ **Poultry:-** Location advantage enables investors in the zone profitable due to 1. Approaches to Addis Ababa 2. The flat land enables eggs and other products reach Addis Ababa with low cost without perishing.
- ✦ **Farm:** - Farm of different crops practiced in the area but this farm is not in organized and mechanized form, rather it is practiced in with individuals plough with oxen using backward technology. The land scape of the zone mainly covered by plateau which is suitable for mechanized farm.

#### 4.10. Major factors contributed to low level of investment in this zone

There is different investment office in the study area at zonal, districts and town administrates levels. Accordingly the officers or government side asked for what are the reasons for the low investment in the zone and their response compiled in the following figure.

**Figure: 4 main investment challenges in north Shewa zone**



Source: Survey result 2020

The data indicated on the above chart depends on the survey through office of investment in the North Shewa Zone, namely zone investment office, districts investment offices and town administration investment offices.

According to these offices document analysis and interviews with our respondent's as well as researchers observation infrastructure problem and administrative bureaucracy considered as critical challenges for any investment activities in north Shewa zone. In addition to this lack of credit, lack of good motivation from government and financial institution and market problem for the investment considered as another reason for low investment in the zone

## 5. Conclusion and recommendation

### 5.1. Conclusion

In North Shewa Zone, even though the potentiality of the area has not been studied before fully, according to this investigation it is concluded that North Shewa Zone has great potential for investment. The general dissected Plateau nature landscape, its closeness to capital city (Addis Ababa), it have different weather conditions, good rainfall which make it suitable for the growth of different types of crops (such as teff, sorghums, oil bearing crop, wheat etc.), and pulses production. The landscape and weather condition of the zone is also conducive for livestock production, such as cattle, sheep, and goat. Investment in social service sector and small scale industries are the types of investment activities available in the zone and which have to be expanded more. Manufacturing and processing industries, mining industry and quarrying activities are also available. In addition, there is tourist attraction area in North Shewa Zone monastery, caves, spa places, different cultures like conflict resolution mechanisms called jarsuma, horse man ship etc. But compared to these potentialities investment sector is found in poor condition in the North Shewa zone.

The development of investment sector for the future also seems one of the revolting one, if the problems identified are not alleviated properly. Factors that contribute to this low investment

activities in the zone are a lot. But, the general problems are seen from, government side, investors themselves and natural factors. The government has not made sufficient survey on natural resources, has not gave much attention on the development of infrastructural facilities, has not gave fair treatment or incentives (i.e. based on political involvement), has not strengthen the exchange of information and consultancy services for investors and others.

Investors have also problems such as lack of awareness (i.e. lack of knowledge about investment and absence of carefulness when they are doing their activities), and lack of strong coordination with the society and capital deficiencies are also the major problems.

In addition there is also a problem of mismatching of available factors (potentials) of some parts of the zone with the investment types which have to be conducted there. For instance, in urban parts of the zone there may be rainfall and land which is suitable for the production of crops and vice versa which is generally concluded as climatic condition and lack of resources and the exiting farm is not mechanized rather it going on in disorganized ways.

## **5.2. Recommendation**

To overcome these and all other problems that contribute to low investment activities in the zone, the following points are recommended to the government and any regarded body including investors and the general public.

- Institutions should actively participate on investment sectors in each area by facilitating and giving credit services, trainings on asset management, and by giving consultancy services for existing and potential investors.
- Developing infrastructural facilities in key areas of investment, especially in potential areas, which is government, should improve the Electric Power Supply and interruption to investors.
- Targeting, leading and matching the activities conducted in one area with the climate suitable for the activities.
- Creating good relationship with other zones of the region to share good investment experiences and to handle natural and manmade investment problems.
- Government and other investment related bureaus have to actively participate in fulfilling infrastructural facilities
- Government has to give fair and equal treatment or incentives for all investors by not discriminating them based on political involvement. And also it is better to minimize administrative bureaucracy and creating smooth interaction.
- Providing sufficient information of investment possibilities by giving some councils to the public and aware those investors about other investment alternatives
- Preparing and conducting panel's discussions and meetings year, quarterly, or monthly concerning investment activities in order to bring together the government and those investors to solve investment related problems. Especially investment bureaus of north Shewa zone should play a great role by creating linkages between investment owners, research institutions (salale university research team), government agencies and other interested individuals as well as parties.
- Those investors should be able to prepare themselves to create other investment opportunities in addition to what they are currently doing (i.e. they have to be flexible).
- Investors have to choose properly the area which is suitable and match with the type of investment activity they are going to do.
- Inviting new investors also from foreigners by giving necessary information about availabilities of different investment opportunities in the zone
- Government and other responsible sectors should clearing the line and intensity of corruption that discourages existed and potential investors from their activities.

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