ASSESSMENT OF FACTORS THAT AFFECT THE GROWTH OF DOMESTIC PRIVATE INVESTMENT: A CASE OF WEST GOJJAM ZONE AMHARA REGIONAL STATE ETHIOPIA

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Abstract: This study aimed to assess the determinant factors that influence domestic Private investment growth in west Gojjam Zone from 2013 to 2017. Researchers adopted a mixed research approach. The required data were collected through primary and secondary source. The questionnaires distributed to 209 existing investors through survey method. To examine the variables Order probit model was used. The result shows that , access of infrastructure and land, types of investment, access of finance, corruption, tax rate and government investment policy are statically significant in the study area but government incentive, access of market, number of employees, firm age, level of education, interest rate and market competitors are not statically significant.
Key words: Domestic, private investment, Growth, Factors.

INTRODUCTION

1. BACKGROUND

Domestic private investment plays important roles for developing countries as it enhances economic growth by increasing human capital formation and by stimulating domestic investors and access to local market. It also raises productivity through encouraging technological progress and promotes new techniques of production (Majeed & Khan, 2008). Thus, it is an engine for measuring the level of Growth Domestic Product as well as ensuring sustainable economic growth of Countries.

Sustainable economic growth is highly determined by the rate of investment growth (Woldemeskel, 2008). The rate of domestic private investment growth may determine by different factors. In line with this, the growth of capital import and GDP are the most determinants factors of private investment growth (Majdzadeh, Ghazanfari & Ara, 2014). As Karagöz (2010), Draco (2013), Khan and Khan (2007), Lesotlho, (2006), Suhendra and Anwar (2017). Private investment is influenced at large by real interest rate, inflation and exchange rate. On the contrary Batu, (2016), inflation rate, money growth, interest rate and tax rate doesn't have important effect on private sector investment but national income, public investment and exchange rate are the critical variables affecting the performance of private investment and others variables such as interest rate, credit, inflation rate, international trade, and money supply are also slightly important in explaining the performance of private investment.

According to Fiestas and Sinha (2011), investment climate constraints discourage private investment. Crime and corruption undermines the investment climate as it not only discourages firms from investing but also increases the costs of business, whether through the payment of bribes, the direct loss of goods or the costs of taking precautions such as hiring security guards or installing alarm systems.

Dabla-Norris and Inchauste (2008), Djankov, Ganser, McLiesh, Ramalho and Shleifer (2010), Gauthier and Reinikka (2006) corporate tax rate has a large adverse impact on aggregate investment and entrepreneurial activity. In line with this, infrastructure contributes its significance to the economic growth. For instance, Fiestas and Sinha (2011) find that, infrastructure is the most important factor in explaining firm performance in Ethiopia.

In developing countries' governments give much emphasis and energy to attract private investment believing this will overcome constraints on economic growth through promoting technology transfer, creating employment opportunity and attracting other investors in a more diversified economy. The fundamental challenge that developing countries are facing with the way to increase investment rates domestically, thus, when policy is established it should be conducive to the development of domestic investors (Ghura & Goodwin, 2000).

Ethiopian government set out its objectives in the Growth and Transformation Plan one and two whose main goal is for Ethiopia to become a lower middle-income country by 2025 through average annual real growth of 10-11%. While the public sector will continue playing an important role, the GTP, especially GTP II, places emphasis on private sector development. However, the performance of private sector has remained very low and they have remained very shy to make significant strides thus far (Adugna, 2013). To increase the flow of investment and achieve the GTP investment plan, identifying the factors that hinder the flow of domestic private investment through research is unquestionable. Therefore, this study attempted to assess the determinant factors affects domestic private investment growth in west Gojjam Zone Amhara Regional state Ethiopia

2. **Statement of the Problem**

The lessons taken from developing countries where there is a lack of coordination in the investment activities of individual and aggregate investment in the economy leads to a low economic trap that linked with low investment rates and low economic growth and goes towards into a vicious circle (Adugna, 2013). In light of this, realizing significant contribution of investment for economic growth, especially Sub Saharan African Countries where poverty and underdevelopment persists in the Region, it demands inward looking development strategy and creating a more suitable environment for domestic private investments as an engine of economic growth. Like other developing countries, Ethiopian economy mainly depends on agrarian based system of production and substantial amount of labor force mainly engaged in this sector of the economy.

These experiences are the fate of many of the East African countries. Hence, taking experiences of successful countries in line with the existed realities of domestic economy, encouraging private investors through creating a suitable environment for the business activities and providing necessary facilities for private sector development is a crucial issue.

Thus, despite the policy reform Ethiopian has experienced a lot of problems, low level of saving limiting investment activities and high unemployment rates (Adugna, 2013). In light of these, recent expectation of GDP growth rates to have 11 % per annum, however, IMF alerts that it will be declined to 7 % due to restricted access to the private sector investments as compared with a large share of public investment in the economy. To achieve the investment plan of the Ethiopian GTP, that is increasing the fellow of private domestic investment as well as to become middle level societies, identifying the factors that hinder the flow of domestic investment in the last 20 years is unquestionable. It was for this reason that, this study attempted to assess the variables influence domestic private investment growth in Gojjam Zone. Finally, the researchers forward the following basic research questions. What seems like the trend of domestic private investment from 2013 to 2017 in West Gojjam Zone? What are the determinant factors that influence domestic private investment in west Gojjam Zone? To what extent those factors affect the growth of domestic private investment in west Gojjam Zone?

3. Objectives of the study

The overall objective of this study is to assess the determinant factors that influence domestic Private investment growth in west Gojjam Zone.

3.1. The Specific objectives are:

1. To observe the trend of domestic private investment from 2013 to 2017 in West Gojjam zone.
2. To identify the factors influencing private domestic investment growth in the Zone level.
3. To see the extent of the factors that affects the growth of domestic private investment in the zone level.

4. **Research Hypothesis**

Hypothsis1: Access of land has a significant effect on domestic private investment growth. Hypothesis 2: Investment incentives have a significant effect on domestic private investment growth.
Hypothesis 3: Access to finance has a significant effect on domestic private investment growth. Hypothesis 4: Access of market has a significant effect on domestic private investment growth.
Hypothesis 5: Access to infrastructure has significant effect on domestic private investment growth.
Hypothesis 6: Corruption has significant effect on domestic private investment growth. Hypothesis 7: Number of employees has significant effect on domestic private investment growth
Hypothesis 8: Firm age has significant effect on domestic private investment growth.
Hypothesis 9: Economic condition has significant effect on domestic private investment growth.
Hypothesis 10: Manager /owner's level of education has significant effect on domestic private investment growth.
Hypothesis 11: Interest rate has significant effect on domestic private investment growth.
Hypothesis 12: Practice of competitors has significant effect on domestic private investment growth.
Hypothesis 13: Tax rate has significant effect on domestic private investment growth.
Hypothesis 14: Types of investment has significant effect on domestic private investment growth.
Hypothesis 15: Government policy has significant effect on domestic private investment growth.

5. Research Methodology

This study was employed descriptive research design followed by explanatory survey research design following the mixed research approach. Descriptive research design was used in order to describe the trends of domestic privet investment growth in the Zone. Whereas, explanatory research design show the causal relationship between two or more variables. Hence, the purpose of this study is to assess Domestic Private Investment Growth and its Determinants a case of West Gojjam zone Amhara Region, Ethiopia. To accomplish this, the required data were collected through both primary sources and secondary sources. The primary data were collected through both close ended and open ended questionnaires and in-depth interview from 209 existing investors in the Zone who have license and began their investment operations up to 2017. The target population of this study was all investors who engaging mainly in manufacturing, agriculture, construction, hotel and truism, mining, trade and transport in the Zone. To make the questionnaire more understandable by all respondents, it was translated in to Amharic language. Moreover, the secondary data were collected from the annual report of the Zone and Amhara Regional investment office. In this study, the nature of the dependant variable is qualitative, but, the data which, were obtained from respondents measured by using 5 point Likert scales to quantify in to numeric measurement, which were rated from very low grow to very high grow based on qualitative judgment of the respondents. To support this, open ended questionnaires also used.

6. Model Specification

Order probit model were used to examine the relationship between the independent variables and dependent variable. The model is selected based on the nature of the dependant variables which can be measured through ordinal measurement scale. Therefore, to meet the objectives of the study as of Myoung (2009) the ordered probit model is estimated as follows. Assume variable Y* exists, can be defined $Y^* = X\beta + \varepsilon$ thus:

dpi = *f*(land, ince, afin, mark, infr, corr, noemp, frim, eco, educi, intr, compt, tar, typi, govp)

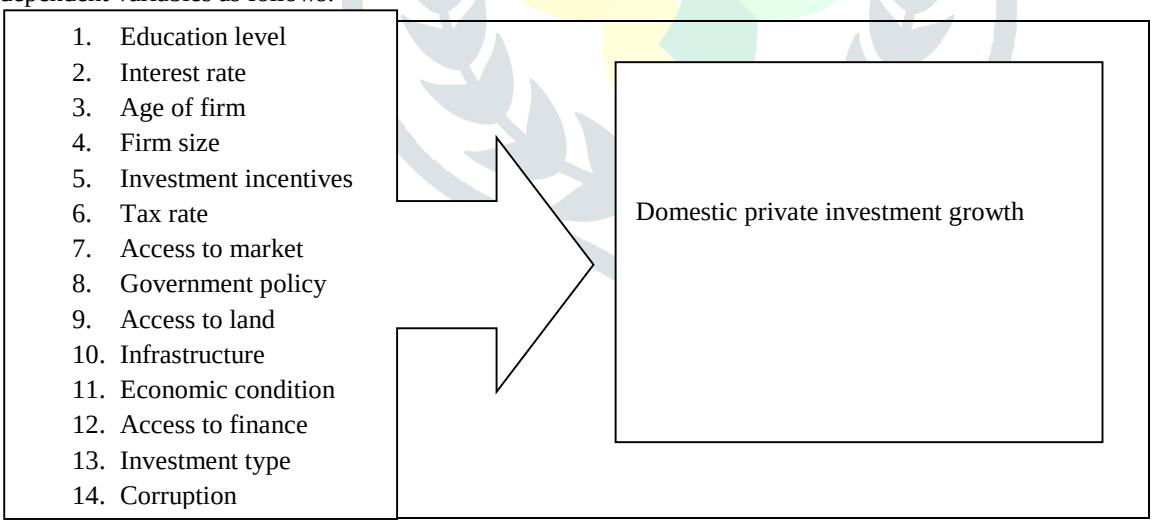
Table 1.1. Summary of independent variables for descriptive analysis

S.N	**Name of Variables**	**Code**	**Variable Type**	**Measurement Scale (to describe)**
1	Determinants of domestic private Investment growth	dpi	Ordinal	1= very low, 2=low,3= medium, 4= high and 5=very high
2	Educational level	educi	Interval	1 = 1-8 years of formal education, 2 = 9-12 high school, 3 = vocational training and diploma holders, 4 = first degree, 5 = second degree and above
3	Age of the firm	frma	Interval	Interval (grouped) scale
4	Investment type	typi	Ordinal	1 = Manufacturing, 2 = Agriculture, 3= Construction, 4 = Service ,and 5 = Trade
6	Tax rate	tar	Ordinal	1, 2, 3, 4 & 5 Very high to very low
7	Interest rate	intr	Ordinal	1, 2, 3, 4 & 5 Very high to very low
8	Access to finance	afin	Ordinal	1, 2, 3, 4 & 5 Very agree to very disagree
9	Investment incentive	ince	Ordinal	1, 2, 3, 4 & 5 if respondents benefited from investment incentives is very low to very high
10	Economic condition	eco	Ordinal	1, 2, 3, 4 & 5 Very agree to very disagree
11	Infrastructure Access	infr	Ordinal	1, 2, 3, 4 & 5 Very agree to very disagree
12	Market access	mark	Ordinal	1, 2, 3, 4 & 5 Very high to very low
13	Practice of competitors	compt	Ordinal	1, 2, 3, 4 & 5 Very agree to very disagree
14	Corruption	corr	Ordinal	1, 2, 3, 4 & 5 Very agree to very disagree
15	Land	land	Ordinal	1, 2, 3, 4 & 5 Very agree to very disagree
16	Government policy	govp	Ordinal	1, 2, 3, 4 & 5 Very Agree to very disagree

Source: Summary from literatures, 2017

7. Conceptual framework

This study has both dependent and independent variables. The researchers try to visualize the relationship of dependent and independent variables as follows:



Source: From the literature (2017)

8. **RESULT AND DISCUSSIONS**

This study was conducted to assess the determinant factors that influence domestic Private investment growth in west Gojjam Zone specifically Finotselam, Dembecha, Burie, Merawi and Adet. To carry out this, first the data were collected through interview and questionnaires from existing investors by distributed 209 copies to the respondents. From the total copies 202 were collected back and all were returned successfully with required answers. The balances of 7 copies were not returned. The response rate of the questionnaire of this study is therefore 96.65%. Therefore, this enable the researchers to continue the analysis part because the figure is indicated more than representative.

Before attempted to regress and analysis the result since the researchers were used categorical data, Cronbach's coefficient alpha was tested for both independent and dependent variables to check the reliability and consistency of variables. According to Nunnally (1967), Cronbach's coefficient alpha has indicated 0.7 to be an acceptable reliability coefficient but lower thresholds are sometimes used. As Santos (1999), Alpha coefficient ranges in value from 0 to 1 and suggested that, the higher scores indicate

more reliability for the measurements. Hence, the alpha coefficient of this study was above 0.7and hence meets the minimum requirement. The explaining power of independents variables are adjuster R^2 were 64.47%.

8.1. Trends of Domestic Private Investment Growth

The trend of an investment shows up and dawn of the growth throughout year to year in a country. Countries conduct trend analysis of an investment growth in order to identify the factor which adversely affects the investor's investment growth and maximize the positive contribution factors to investment growth.

According to the West Gojjam Zone trade and investment expansion office report shows that up to 2017 there are 257 (45.89%) investment projects which are in pre implementation phase, 82 (14.64%) projects are on construction and 221(39.46%) are in operation in different sectors like in hotel and truism, social, industry, agriculture, construction and trade and transport sectors in different woredas and towns in a zone. Among the investors who engaged in operations 209 are found in Finotselam, Dembecha, Burie, Merawi and Adet and the remaining are found in other parts of a zone. The numbers of domestic private investment from 2013to 2017 were presented as follows.

Table 1:Domestic private investment growth in West Gojjam Zone

Year	Hotel & Truism		Social		Industry		Agriculture		Construction		Trade & Transport		Total
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.
2013	10	18.18%	1	1.82%	2	3.78%	22	40%	19	34.54%	1	1.82%	55
2014	7	15.21%			14	30.43%	11	23.91%	14	30.43%			46
2015	8	9.75%	1	1.21%	32	39.02%	13	15.85%	9	10.97%	19	23.17%	82
2016	8	6.34%			57	45.23%	17	13.49%	3	2.38%	41	32.54%	126
2017	33	14.93%			85	38.46%	23	10.40%	24	10.85%	56	25.34%	221

Source: West Gojjam Zone trade and investment expansion office, 2017

As indicated from table 1 above in 2013 as compared to other investment sectors, the highest number of domestic private investors invested in agriculture 22 (40%) and construction sector19 (34.54%) .This may be due to the government policy which promote agricultural investment (agricultural lead industrialization) and those who are graduated from poly technique colleges and universities in construction the government assigned in construction investment in group. Whereas relatively small number of investors were invested in industry sector 2(3.78%), social and trade and transport sector the same each as 1(1.82%).This may due to the government investment policy which did not given attention to other sectors. And the remaining investors were invested in hotel and truism sector.

As shown from table 1 above in 2014 from the total investment projects 84.77% are invested in industry, construction and agriculture. This may be due to the regional and federal government given good attention to attract investors in those sectors. And the remaining 15.33% are invested in hotel and truism sector. During this year there is no new investment made in social and trade and transport sectors. This shows the investors who are invested in the social and trade and transport are de-invested their investment as a result prospective investors may hesitate to invest in the sector during the year.

From table 1 above inferred that in 2015 more than 60% of the investors were invested in industry and trade and transport sector. This may be due to the government policy which promotes the industry sector. The remaining investors invested in the other sectors.

Table 1 above tell us because of the government policy which gives high incentive for industry sector in 2016 and 2017 more than 38% of investors were invested in industry sector in each year. Whereas during 2016 and 2017 next to industry, investors invested in trade and transport sectors (32.54%) and (25.34%) respectively and the remaining percent were invested in other sectors.

Number of domestic private investment growth in each investment sector in West Gojjam Zone can be displayed in line graph as follows.

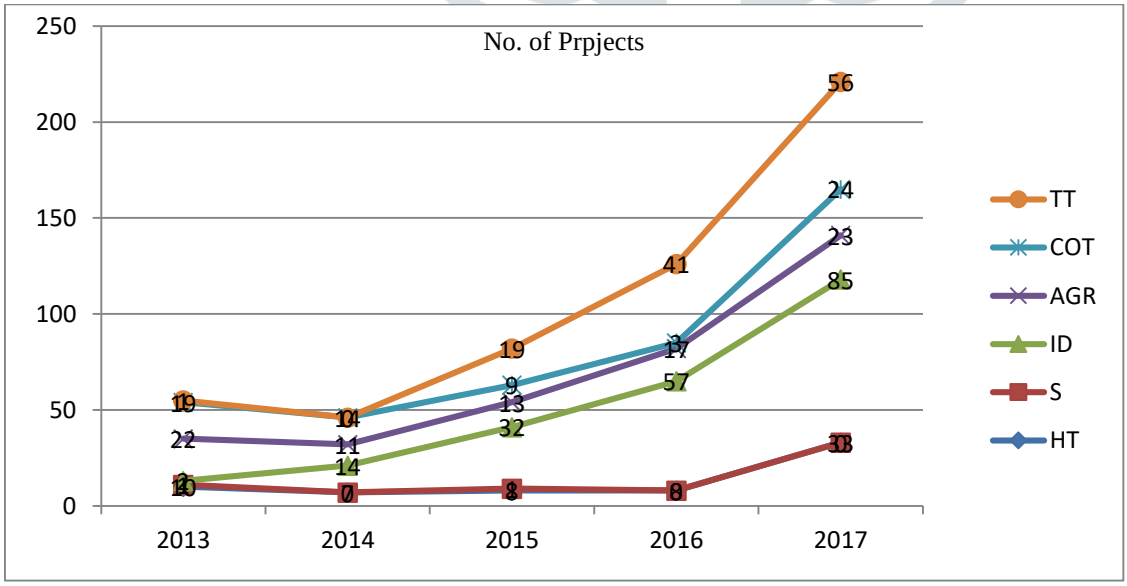


Fig 1: Number of domestic private investment growth in each investment sector in West Gojjam Zone

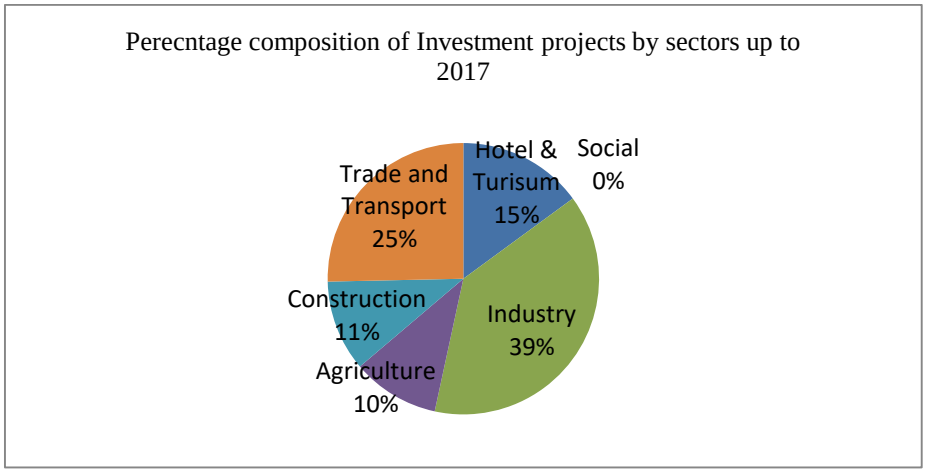


Fig 2: Composition of domestic private investment in investment sectors up to 2017

From the above figure 2, 39% covers industry, 25% covers trade and transport, 15% comprise hotel and truism, 11% covers construction and agricultural sector covers 10%. From these the industry sector covers large portion due to the government stands to promote the domestic investors in industry sectors.

8.2. Total domestic private investment growth trend

On above the researchers presented the domestic private investment growth trend. Here let us see what seems like the total domestic private investment trend in West Gojjam Zone from 2013 to 2017. Accordingly the researchers presented in the following manner.

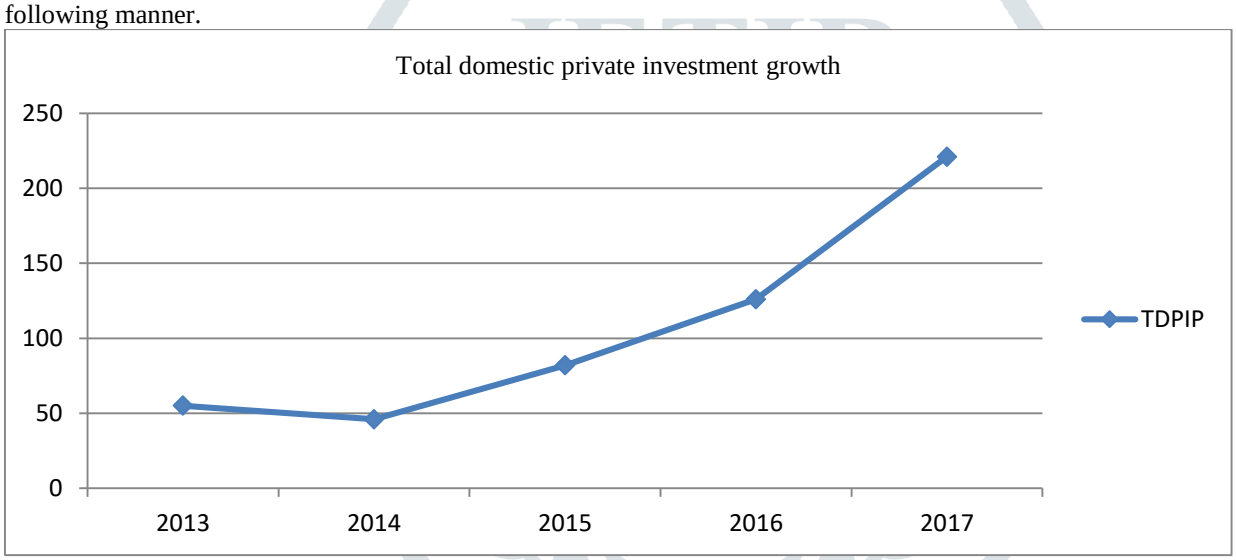


Fig. 3: Total domestic private investment growth (2017)

As shown from figure 3 above the total domestic private investment in West Gojjam Zone from 2013 to 2014 was decline by 16.36% but from 2014 to 2015 increased by 43.90%. On the other hand, from 2015 to 2016 increased by 34.92% which is increase at decreasing rate as compared to 2014 to 2015.Similarly, from 2016 to 2017 number of investment increased by 23.17% which is less than the previous year investment growth. From this the researchers observed that even if the total domestic private investment increase from 2014 to 2017, the growth is not as such expected by the zonal government.

8.3. Capital flow of Domestic Private Investment

The flow of the private sector capital in to an investment area is important for the economic growth of a particular country. And hence, interims of the domestic private investment capital flow from 2013 to 2017 in West Gojjam Zone were as follows.

Table 2: Capital flow of domestic private investment from 2013 to 2017

Year	Capital increase/decrease in birr	Capital increase/decrease in percentage
2013-2014	(28,043,474)	(10.95)
2014-2015	31,083,540	13.64
2015-2016	1,048,848,574	19.8
2016-2017	854,122,495	65.3
2017		

Source : West Gojjam trade and investment expansion office, 2017

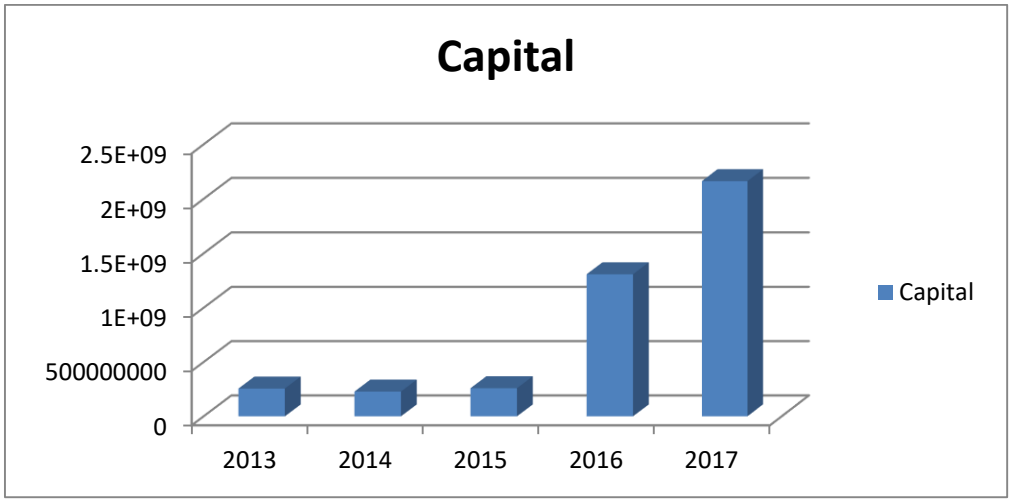


Fig. 4: Capital flow of domestic private investment (2017)

From the above table 2 and fig. 4 shown the total capital flow from domestic private investment in West Gojjam Zone from 2013 to 2017 was decline by birr 28,043,474 (10.95%). This is because of the liquidation of existing domestic private investment and there are no new entrants in some investment sectors like social and trade and transport sectors. But from 2014 to 2015 increased by birr 31,083,540(13.64%), from 2015 to 2016 increased by birr 1,048,848,574(19.8%). Similarly, from 2016 to 2017 capital flow of domestic private investment increased by birr 854,122,495(65.3%). This is due to the government policy which gives high incentive to the industry sectors in order to attracts the investors to invest in the industry sector as a result the number of investors who are invested in the sector increased from 2014 to 2017 than others sectors. Since the industry sector needs high capital (capital intensive) than others sectors as a result the total capital flow from domestic private investment increased from year to year. On 2016 to 2017 there was highest capital increase. This may be due to change in the attitude of private investors toward the investment sectors and the increment of special incentives for industry sectors and private investors.

Table 4.3: Trends of domestic private investment changes from 2013 to 2017 based on number of investment and capital flow

Particulars	**Year**			
	2013-2014	2014-2015	2015-2016	2016-2017
No. of investment project	(16.36%)	43.9%	34.92%	42.98%
Total capital flow	(10.95%)	13.64%	19.8%	65.3%

Source: Own computation, 2017

As shown in table 4.3 the number of investment projects and capital flow from 2013 to 2014 was decline by 16.36% and 10.95% respectively. The percentage variation comes due to the nature of investments that is more of investors were engaged in labor intensives investments to gain the advantage of labor cost. That is the investors can get labor in cheap price. On the other hand, the number of investment projects and capital flow from 2014 to 2017 increased but the percentage is different. This is due to the government policy which gives high incentive to the industry sectors in order to attracts the investors to invest in the industry sector as a result the number of investors who are invested in the sector increased from 2014 to 2017 than others sectors.

Generally, even if the number of domestic private investment and capital flow increased from year to year when as compared to others zone or part in the region. In addition to this as the zone investment office report shows because of land, infrastructure, finance and other problems 257(45.89%) projects are in pre implementation phase, 82 (14.64%) projects are in construction phase but only 221(39.46%) are in operation phase. This shows even if there is an increment in number of projects still the investment growth is not grows as the government expects. This motivate to the researchers to identify the determinant factors affecting the domestic private investment growth in West Gojjam Zone.

8.4. Analysis of order probit model result

Table 4: Analysis of order probit model result

dpi	Coef.	Std. Err.	z	P>|z|	[95% Conf. Interval]	
land	.3318323	.1034257	3.21	0.001*	.1291217	.534543
ince	.0327115	.052547	0.62	0.534	-.0702787	.1357017
afin	.1523562	.0920274	1.66	0.098***	.0280142	.3327266
mark	.0454001	.0568236	0.80	0.424	-.0659721	.1567722
infr	.2518155	.0792691	3.18	0.001*	.0964508	.4071801
corr	-.1078309	.0604745	-1.78	0.075**	-.2263587	-.0106968
noemp	.0319366	.0706011	0.45	0.651	-.1064391	.1703122
frma	.0296456	.058135	0.51	0.610	-.084297	.1435881
eco	-.0624647	.0530787	-1.18	0.239	-.166497	.0415676
educi	.1047041	.0694423	1.51	0.132	-.0314003	.2408086
intr	-.0804031	.0771273	-1.04	0.297	-.2315699	.0707637
compt	.0103884	.0653743	0.16	0.874	-.1177428	.1385196
tar	-.1181986	.0534376	-2.21	0.027 **	-.2229344	-.0134628
typi	.1669959	.0662296	2.52	0.012*	.0371883	.2968035
govp	.3052639	.1702784	1.79	0.073**	.0284757	.6390035

Source: own survey summary, 2017

***, ** & * are significant at 10%, 5% and 1% respectively

As the table 4 above shows, access of land is statistically and significantly associated with the growth of domestic private investment at 1%. Thus, the growth of domestic private investment is better (from very less investment growth to very high investment growth) with higher level of land access. In line with this, the researchers interviewed from the investment officers in Dembecha, Merawi and Buriereplied that even if there are accesses of land, there are problems related to a compensation given to the farmers around in the town at the right time. That means there is no enough land which are free from third parties, the expansion of cooperative houses and no enough industry park reserved for domestic private investors with in the study area due to bureaucratic of investment experts, farmers are unwilling to give up and lack of investors tolerance. The investment experts added to that there are investors who are waiting to get the permission to run their business. In this case, there are 257 investors who are belongs to pre implementation because of different reason. Among those 184 investors are waiting due to lack of the access of land. So, these show access to land has an adverse effect to the growth of domestic private investment in the study area.

As depicted in table 4 financial access is statistically and significantly associated with the growth of domestic private investment at 10%. This implies, the growth of domestic private investment is better (from very less investment growth to very high investment growth) with higher level of financial access. As the researchers interviewed from the investment officers in selected town in West Gojjam Zone responded that the domestic private investors can easily access the required finance to their investment from for instance, ACSI and commercial bank of Ethiopia. Even if using debt is as a source of finance, it has a tax shield advantage but there are many restrictions or covenants such as need of collateral, feasible project, strict follow up and inflexibility and not given loan incentives for all types of investment (loan priorities). This implies by affording the above covenants the domestic private investors are not freely utilizing the money got from the financial sector. The investment experts added to that there are investors who are waiting due to lack of finance even if they have got a permission and license from the office. In this case, from 257 pre- implementation projects, 25 investors are waiting due to financial problem. So, this shows us the domestic private investors can get the required finance but due to the existence of restrictions they are fail to get as they required and this adversely affect the growth of domestic private investment in the study area.

As indicated table 4 infrastructures is statistically and significantly associated with the growth of domestic private investment at 1%. Then, the growth of domestic private investment is better (from very less investment growth to very high investment growth) with higher level of developed infrastructure. As the researchers' interviewed from the selected town investment office experts agreed that there are poor infrastructure in West Gojjam Zone. Infrastructure which includes electricity, water supply, road, hotel and communication are the most determinants that influence the investors to invest in West Gojjam Zone. According to the investment office experts said that among 257 investors in pre implementation, 79 investors are waiting due to lack of infrastructure. The only cheep resources available within the study area as the experts said are human resources particularly daily laborers'. From these, without solving or minimizing those infrastructure problems, it's dangerous to invest and expand the investment flow because it affects the growth of domestic private investment in the study area.

From table 4 above corruptions is statistically and significantly associated with the growth of domestic private investment at 5%. It indicates, the growth of domestic private investment is better (from very less investment growth to very high investment growth) with low level of corruption. Even if the investment office experts for instance dembecha and burie, the level of corruption is minimal contrary to this the investors replied that there are high corruption related to giving permit and license, access land and custom duty free in the study area. As some of the domestic private investors felt that the level of corruption was contributing fact to delay and expansion of their investment. Contrarily to this, investment guide in Ethiopia (2012) asserted that routine bureaucratic corruption is virtually no existent in Ethiopia and the guide added that bureaucratic delays certainly exist but are not a devices by which officials seeks bribes. This indicated that even if the investment guide said there is no as such corruption, the investors in the study area and some of the investment office experts argued that there is corruption but the level of corruption is vary from town to town. This shows corruption hinders the expansion of existing investments and new entrants to the investment industry in the study area.

As indicated from table 4 tax rate is statistically and significantly associated with the growth of domestic private investment at 5%. Thus, the growth of domestic private investment is better (from very less investment growth to very high investment growth) with low level of tax rate. Since Ethiopia follows progressive tax system (direct taxes) that is high earners pays high tax and low earners pay low tax. Even if the system minimizes the income disparities between high and low earners and consider the ability to pay but it discourages investors who are investing in huge investment projects. By perceiving likewise, the investors responded negatively about the current tax rate increment. In addition to this, the tax holiday given to domestic private investors mostly is not practically applicable and the tax holiday (exemption) did not consider the existing situation in the study area. In common sense the researchers argued that an increase of tax rate is unfavorably affecting the growth of domestic private investment. So, reasonable tax rate for investors may promote the growth of their investment.

As table 4 above shown us type of investment is statistically and significantly associated with the growth of domestic private investment at 1%. Then, the growth of domestic private investment is better (from very less investment growth to very high investment growth) with service providing nature of investment. As the researchers interviewed from the investors in the study area, the investors simply want to invest in the sector of manufacture due the existence of high incentive like tax holiday, free of custom duty(import and export) but it needs high skilled man power, high electric power and huge capital. On the other hand, on the other sectors like service the incentives are not as such attractive to invest even if it required less skilled manpower, less capital and less electric power ,less technology and water supply. As a result, domestic private investors have threat to invest in the sectors. In addition to this as investment office experts in the study area said that investors invested in the area which are easily invested (required less initial capital like service sector) without think over the respective risk and return trade off. Because of risk and high competition in the sector the business are liquidated with in short period of time. This may hastate potential domestic private investors to invest in the sector in the study area. So, the researchers understand that since it is statically

significant at the beginning the investors invested without analysis of the challenges and opportunities, risk and return of the alternative projects.

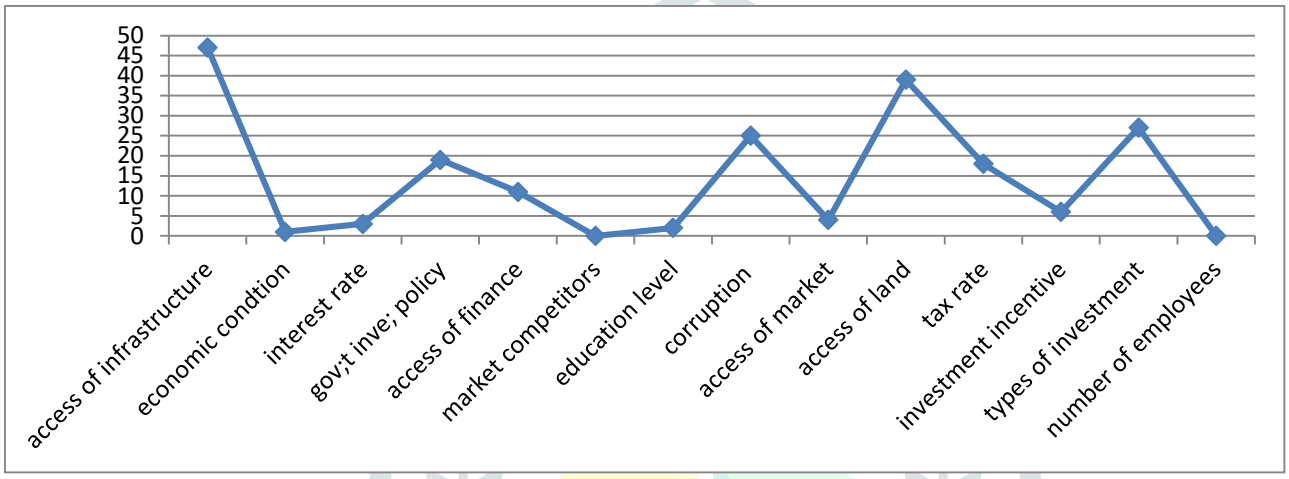
Government investment policy is statistically and significantly associated with the growth of domestic private investment at 5%. This implies, the growth of domestic private investment is better (from very less investment growth to very high investment growth) clear government policies. As the Amhara regional state investment commission office brusher put that the investment policy for domestic private investors includes many reliefs like custom duty free, tax exemption ,losses carry forwarded and strong investment incentive but there are problems of implementation. So, the researcher observed that the investment office experts in West Gojjam Zone are failing to applied the domestic investors relief which guaranteed by the government. This may affect the growth of domestic private investment in the study area.

The outlined independent variables related to government incentive, access of market, number of employees, firm age, economic condition, level of education, interest rate and market competitors were not statically significant in the study area.

8.4. Determinant factors affecting the growth of domestic private investment

As the researchers designed questioners and distributed to the domestic private investors in West Gojjam Zone the selected town and rank the most influential factors to determine the growth of their investment. Accordingly, the researchers displayed in line graph as follows.

Fig: 4: Determinant factors of domestic private investment growth



From the above fig. researchers computed as 23.26% infrastructure, 19.30% access of land, 13.36% types of investment, 12.37% corruption, 8.91 % tax rate, 9.40% government investment policy and 5.44% access of finance are the most determinants of the domestic private investors in the study area. Whereas, other variables are not statistically significant effects to the growth of domestic private investment in the study area.

Table 5: Order probit model marginal effects

Domestic private Investment growth	Order oprobit marginal effect for very less investment growth	Order oprobit marginal effect for less investment growth	Order oprobit marginal effect for moderate investment growth	Order oprobit marginal effect for high investment growth	Order oprobit marginal effect for very high investment growth
Land access	-.0024243	-.0989863	-.0150719	.0934782	.0230043
Gov't incentives	-.000239	-.0097579	-.0014858	.0092149	.0022677
Access of finance	-.0011131	-.0454482	-.00692	.0429192	.0105621
Market access	-.0003317	-.0135429	-.0020621	.0127893	.0031474
Infrastructure	-.0018397	-.0751171	-.0114375	.0709372	.0174571
Corruption	.0007878	.0321662	.0048977	-.0303763	-.0074754
Number of employees	-.0002333	-.0095268	-.0014506	.0089966	.002214
Firm age	-.0002166	-.0088433	-.0013465	.0083513	.0020552
Economic condition	.0004564	.0186334	.0028372	-.0175965	-.0043304
Education levels of investors'	-.0007649	-.0312335	-.0047557	.0294955	.0072586
Interest rate	.0005874	.0239844	.0036519	-.0226498	-.0055739
Competitors	-.0000759	-.0030989	-.0004718	.0029264	.0007202
Tax rate	.0008635	.0352589	.0053686	-.0332969	-.0081941
Types of investment	-.00122	-.0498153	-.007585	.0470433	.011577
Gov't policies	-.0022302	-.0910609	-.0138651	.0859938	.0211624

Source: Marginal effects after order probit, 2017

As table 5 shows that, one unit increasing in access of land is associated with being 0.024% less likely to be in the very less investment growth, 9.9%less likely to be in the less investment growth, 1.5% less likely to be in the moderate investment growth, 9.35% more likely to be in the high investment growth and 2.3% more likely to be in the very high investment growth. From this the researchers understand that increasing the access of land contributed a lot to the domestic private investment growth in the study area.

One unit increasing in government incentives is associated with being 0.02% less likely to be in the very less investment growth, 0.1%less likely to be in the less investment growth, 0. 15% less likely to be in the moderate investment growth, 0.9% more likely to be in the high investment growth and 0.23% more likely to be in the very high investment growth.

As well as one unit increasing in access of finance is associated with being 0.11% less likely to be in the very less investment growth, 4.54%less likely to be in the less investment growth, 0.7% less likely to be in the moderate investment growth, 4.3% more likely to be in the high investment growth and 1.1% more likely to be in the very high investment growth. From this the researchers understand that increasing the access of finance a means to the growth of domestic private investment.

One unit increasing in market access is associated with being 0.03% less likely to be in the very less investment growth, 1.35% less likely to be in the less investment growth, 0.21% less likely to be in the moderate investment growth, 1.28% more likely to be in the high investment growth and 0.31% more likely to be in the very high investment growth.

One unit increasing in infrastructure is associated with being 0.18% less likely to be in the very less investment growth, 7.5%less likely to be in the less investment growth, 1.14% less likely to be in the moderate investment growth, 7.09% more likely to be in the high investment growth and 1.75% more likely to be in the very high investment growth. This indicated that giving high attention on the development of infrastructure is bringing sustainable growth to domestic private investment in the study area.

Increasing corruption by one level is associated with being 0.1% more likely to be in the very less investment growth, 3.22%more likely to be in the less investment growth, 0.49% more likely to be in the moderate investment growth, 3.04% less likely to be in the high investment growth and 0.75% less likely to be in the very high investment growth.

One unit increasing in number of employees is associated with being 0.02% less likely to be in the very less investment growth, 0.95% less likely to be in the less investment growth, 0.15% less likely to be in the moderate investment growth, 0.89% more likely to be in the high investment growth and 0.22% more likely to be in the very high investment growth.

One unit increasing in firm age is associated with being 0.02% less likely to be in the very less investment growth, 0.88%less likely to be in the less investment growth, 0.13% less likely to be in the moderate investment growth, 0.84% more likely to be in the high investment growth and 0.21% more likely to be in the very high investment growth.

One unit increasing in economic condition (stability) is associated with being 0.05% more likely to be in the very less investment growth, 1.86% more likely to be in the less investment growth, 0.28% more likely to be in the moderate investment growth, 1.76% less likely to be in the high investment growth and 0.43% less likely to be in the very high investment growth.

One unit increasing in level of education is associated with being 0.076% less likely to be in the very less investment growth, 1.12%less likely to be in the less investment growth, 0.48% less likely to be in the moderate investment growth, 2.95% more likely to be in the high investment growth and 0.73% more likely to be in the very high investment growth.

One unit increasing in interest rate is associated with being 0.06% more likely to be in the very less investment growth, 2.4% more likely to be in the less investment growth, 0.37% more likely to be in the moderate investment growth, 2.26% less likely to be in the high investment growth and 0.56% less likely to be in the very high investment growth.

One unit increasing in competitors is associated with being 0.01% less likely to be in the very less investment growth, 0.031%less likely to be in the less investment growth, 0.05% less likely to be in the moderate investment growth, 0.29% more likely to be in the high investment growth and 0.07% more likely to be in the very high investment growth.

One unit increasing in tax rate is associated with being 0.09% more likely to be in the very less investment growth, 3.53%more likely to be in the less investment growth, 0.54% more likely to be in the moderate investment growth, 3.33% less likely to be in the high investment growth and 0.82% less likely to be in the very high investment growth.

One unit increasing in type of investment is associated with being 0.12% less likely to be in the very less investment growth, 4.98% less likely to be in the less investment growth, 0.75% less likely to be in the moderate investment growth, 4.7% more likely to be in the high investment growth and 1.16% more likely to be in the very high investment growth.

One unit increasing in government policy is associated with being 0.22% less likely to be in the very less investment growth, 9.11%less likely to be in the less investment growth, 1.39% less likely to be in the moderate investment growth, 8.6% more likely to be in the high investment growth and 2.12% more likely to be in the very high investment growth.

9. Conclusion

The trend of domestic private investment growth in study area was increasing at decreasing rate from 2013 to 2017. Due to fail to give up the required piece of land compensation to the farmer at the right time, there is no land which is free from third parties, the expansion of cooperative houses and extending bureaucratic of the investment office experts access of land is statically and significantly affects the growth of domestic private investment in the study area at 1% level of significance.

After all, as the order probit model results and domestic private investors shown, access of infrastructure and land, types of investment, access of finance, corruption, tax rate and government investment policy are the most determinants of domestic private investment growth based on their level or extent of significance in order in the study area.

This study findings were likely to Asiedu and Freeman (2009), Abdi (2012) and Boso and Emerence (2016).

The remaining variables namely government incentive, access of market, number of employees, firm age, level of education, interest rate and market competitors are not statically significant factors for the growth of domestic private investment in the study area.

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