

**INVESTMENT ACTIVITY AND EMPLOYMENT IN NEKEMTE TOWN, ETHIOPIA: AN INVESTIGATIVE
APPROACH STUDY**

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ABSTRACT

Investment is very essential to mobilize human and natural resource to work to more productive efficient and effective utilization available resource by allocating them into investment activity. However, this activity is in its low level in the country and is one of the urban centre, Nekemte town .For this reason, the purpose of this research paper is to access the factors responsible for the low level of investment activity in Nekemte town .The source of data includes both primary and secondary method of data collection. Primary data obtained by conductive structured questionnaire on private investment in Nekemte town and oral questions for the managers of investment office of Nekemte town. To conduct the questions on time 98 respondents are selected by stratified sampling method. The question include information about investment type in Nekemte town, promotional activities on investment opportunities and Incentives given for investors by the governmental bodies, problem faced investors and possible solutions to alleviate problems in the future. The secondary data collected from written materials available in Nekemte town investment office. Finally, the data obtained from primary and secondary sources are analysed and interpreted through inferential methods.

KEY WORDS: *Investment, Employment, Investigative approach, Urban centre, Inferential methods.*

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

By definition, investment means the purchase of various goods and services that can be used for the production of other products. Those are different types of investment such as investment on new machinery, and equipment, investment on residual and non-residual constructions i.e. buildings, where house, hotel, and investment on invention and inventories, (MPE, 1998).

Investment is one of the main determinant economic growths and it is major route through which technical progress can be made the role of Investment to the development of a nation is very large. Investment increases the productivity capacity of an economy. It is a very important to utilize untapped resource to create job opportunity for citizen, to increase foreign currency through import substitution and export promotion of a nation and facilitate the communication and cultural exchange of society, (SSE, 1998).

In our country, there is huge amount of idle resource, which is not mobilized to investment activity due to inefficient, and ineffective utilization of resource, which results is how, level of income. Because of low level of income, it is difficult for the people to allocate their income for investment activity out of their consumption. To develop the investment activities in urban areas, facilitation of the infrastructure facilities, ownership right policy, identification of potential investment opportunities, access of information about investment activity given incentives and promotion of investment opportunities for investment are very essentials steps to be undertaken, (EIARIB).

Investment is an important macroeconomic variable, which play a great role process of growth and development (Mankiw. 2000)

As Investment plays a great role in economic development, the government of Ethiopia has given emphasis concerning this activity. It is purpose was to develop the investment activity by giving major incentives for the investors and promotion of investment opportunities both for domestic and foreign investors so as to increase the number of participants in this activity. But due to social, political, and economical constraints, this activity has not shown a remarkable development in Nekemte town (EIARIB).

Nekemte town has suitable climate, and soil to Investment, but there exists many challenges that hinder the growth and expansion of investment in the town. So, realize the impact and obstacles on one hand and the role of private investment in achieving desired economic development of the town, on the other hand and thus study help to conducting to achieve this goal.

Despite, the fact that a researcher whose name is called Daniel Zerfu, did his research on the determinants of investment in Ethiopia by suggesting the investment in Ethiopia is externally

constrained, this research whose title is factors responsible for the low level of investment activity in Nekemte town suggested that both internal and external factors are the contributing once for the low level of investment.

Although, researcher did their research finding on Ethiopia or other parts of the country, never dealt with the investment growth in which the investment is low level in Nekemte town. This study had given the sufficient or enough answer for the following research questions. What is the factor responsible for the low level of investment activity in the town? What are the some remedial measures that should be taken to enhance the investment activity in the town? What is the contribution of investment in creating employment chance for residents? What is the impact of poor performance of investment due to different determinants?

1.2 OBJECTIVES OF THE STUDY

Objective Includes;

- To access the contribution of investment in creating employment chance for residents.
- Analyse factors responsible for the low level of investment in the town.
- To examine the impact of poor performance of investment due to difference determinants.
- To forward some remedial measures that should be taken to enhance the investment activity in the town.

1.3. SIGNIFICANCE OF THE STUDY

To improve the living standard of the society, capital allocation on different sectors of economic activity is important to mobilize the available resource to move productive. for this purpose Nekemte town has good investment opportunities due to favourable climate condition and it's as favourable strategic location owing to proximity and as a junction .But due to lack of significance study to identify this opportunity to investigate its impact on economic development, the investment activity in the town is very limited.

Due to absence of significance efforts to enhance the investment activity, there are many developmental problems and promotional activities for investors, corruption, and administrative influence, infrastructures problems like social service, poor and deteriorated roads and inadequate power supplies, and economical constraints like lack of loan service and high taxation. Identification of this cause for low level of investment is very important to develop this activity in the future.

2. EMPIRICAL LITERATURE REVIEW

The empirical research on investment has invariably been limited in the developed country. However many studies have been made in developing country recently and have been conducted about the low level of investment activity in different countries.

The research study which is prepared by Hundessa Olani for the partial fulfilment of the requirement of BA degree in economics program on the economic impact on one hand, social and political constraint of investment town in Adigrat university in 2007 conclude that, activity is rather small town that recently gained a higher administrative status.

This low level of investment is due to absence of well-qualified workers to study investment opportunities in the town and promote to investors who has a potential to invest, bureaucratic system of land lease policy high competition among investors. Corruption can also determine investment and there by lower the economic development) Corruption is a specific measure of illegal activities within political system. The opportunity for corruption occurs when public official are the gatekeeper of public goods and service, (Mauro, 1995)

shaum's (1999) has set the process for evaluation and selecting long term investment in Long term asset such as property plant and equipment or resource commitment in the form of new product development, market research, refunding and replacement decisions such as replacement of existing facilities with new facilities.

Daniel (2004) has tried to model the determinants of investment in Ethiopia following the argument that investment is externally constrained in developing of countries and it is affected by risk and unattained variables.

The model tries to capture the effects of external financial constraints domestic and international risk variables. Public investment of infrastructure and out on the private investment. In his thesis, he concluded that private investment is determined by availability of finance, the real exchange, rate investment policy, debt service payment and the debt over hanging.

3. METHODOLOGY OF THE STUDY

The primary data for the researcher collected through an interview and questionnaires. The secondary data collected from stored data documents of Nekemte town office of investment as by review of institution unsannual and annual report and different published source of data and other documents such as books, news and journals.

In Nekemte town there are 477 investment activity .Among this investment activity 64 are from agricultural sector, 151 are from industrial sector , and 262 are from service sector. For those 98 investors are taken as sample by using Yamane formula (1967) by taking (9%) level of significance The sampling techniques use to select this sample size stratified and simple random sampling. Simple random sampling used to select the respondents in each sector randomly without any bias and stratified random sample used to select investors in different sector.

The analysis of data involved is descriptive types. The collected data from source is organized and classified according to their similarities using table and percentages. The interpretation of figure data will have been expressed in clear, precise and meaningful way.

4. DATA ANALYSIS AND INTERPRETATION

As already stated in the methodology part of this study primary data has been collected from sample investors through questionnaire. The respondents are investors from Nekemte town. Thus this chapter covers the data analysis done up on data collected.

4.1 DEMOGRAPHIC CHARACTERISTICS

4.1.1: Sex of respondents

Table 4.1

Sex of respondent	Frequency	Percentage (%)
Male	69	70.40%
Female	29	29.6%
Total	98	100%

Source: own survey, 2016.

This table shows that from the total sample of investors 70.40% of them are male and 29.59% of them are female respondents.

4.1.2: Age distribution of sample respondents

Table 4.2

Age of respondents	Frequency	Percentage (%)
15-25	20	20.40%
26-45	48	48.97%
46-65	24	24.48%
65 and above	6	6.12%
Total	98	100%

Source: own survey, 2016.

As of the above table, out of the total sample investors selected in study area, 20.40%, 48.97%, 24.48% and 6.12% are found between the age group of 12-25, 26-45, 46-65, 65 and above respectively. This implies that according to labour force classification the majority of investors that resides in the study area is economically active investors. While the remaining of 6.12% of sample investors are above 65 which is considered to be economically inactive investors.

4.1.3: Religion Composition of The respondents

Table 4.3

Religion of respondents	Frequency	Percentage (%)
Christian	62	63%
Muslim	36	37%
Total	98	100%

Source: own source, 2016.

As of the above table, out of the total sample investors selected in study area, 63% are Christian and 37% are Muslim. This implies that majority of investors in the study area are Christian.

4.1.4: Marital status of the respondents

Table 4.4

Marital status	Frequency	Percentage(%)
Married	63	64%
Single	35	36%
Total	98	100%

Source: own survey, 2016.

This table represents that out of total sampled, 64% of them are married and 36% are single respondents. This implies that majority of sampled respondents are married.

4.1.5: Educational back ground of the respondents

Table 4.5

Respondents	Frequency	Percentage (%)
Illiterate	5	5
Primary	10	10
Secondary	31	32
Higher	52	53
Total	98	100

Source: Own surveys, 2016.

This table shows the educational background of the respondents in the study area. Accordingly, 53% of sampled respondents are higher education, while 5% are illiterate. The remaining 32% and 10% of the respondents attend secondary and elementary school respectively.

4.2 RESULT AND FINDINGS OF THE TOWN

The role of investment to be the development of a nation is very large. It is important to improve the living standard of the society through investing capital in various economic activities. These include

investment in agriculture, industry and service, allocation of capital in these activities helps utilize the available human and natural resources in to more productive way and bring economic development particularly investment in urban areas helps to utilize the available human resource through creating job opportunities in various activities.

However, the investment activity in Nekemte town is still in its low level due to various constraints. New business activity is concentrated in commercial sector. The questionnaire conducted about the type of investment activities give the following information.

Table 4.6

Type of investment activity	Number of investors	Percentage
Agriculture	13	13.4
Industry	31	31.6
Service	54	55.0
Total	98	100

Source: own survey, 2016.

From the total of 98 respondents 13 of them has answered that their investment activity is agriculture, 31 of them was industry and remaining of 54 investors are service giving. This shows that most of the investment activities in the town are related to the type of service giving activities.

The town is an important transport mode which can develop a regional distribution center in the east Wollega part of Oromia. This owns to its location a function point for roads that leads to Bedele, Asosa, Bahi-Dar and Dambi Dolo. The town's relative proximity to Addis Ababa enhances the town's role as a distribution center for commodities to be produced in and around Addis Ababa or those to be imported from elsewhere.

There is no large scale industrial activities in the town, even there are some wood and metal work, grain mills, bakeries and pastries which the local department of industry and Handicrafts recognizes as small scale industries. The dominant manufacturing activities are grain mill and wood works taken account for about the percent of the total number of manufacturing enterprises in the town.

There are also a significant number of hotel facilities exist in the town ranging from mini bars to those with relatively higher service capacity. It is worth that most of these facilities located in the town are poor in service and below the standard.

Currently the major constraints, which hinder the development of the investment activities in the town, can be categorized into infrastructural problem. Institutional problems include lack of advisory and consultation service, lack of promotional activities and incentives, corruption and administrative problem (low level of qualified workers in office) and problem which is related to land lease system.

Economic problem include lack of capital loan, low level of market activity due to lack of density and high level of tax. Infrastructural problems include transport service, health service, water supply, telephone, electricity limited to recreational centres. It is very important to analyse these problems to understand and their impact on investment activity in the town.

4.3 FACTORS THAT AFFECT INVESTMENT ACTIVITY IN NEKEMTE TOWN

4.3.1. PROBLEM OF LAND LEASE HOLDING POLICY

Land lease holding policy has a major impact on investment activity in the town. Due to high competition among investors to get land for construction purpose, currently small plate of land has high amount of price. The questionnaire conducted on private investors show that lease policy as a major cause on investment activity i.e. what do you think the cause of low level of investment activity in the town?

Table 4.7

Cause of problem	Number of respondents	Percentage (%)
Land lease holding policy	78	80%
Other problem	20	20%
Total	98	100

Source: Own survey, 2016

As it is also suggested by investment office workers, land lease holding policy is the major problem which affects the investment activity negatively. Nekemte urban local administration has power to give land for necessary business in the form of auction agreement depending on the type of project submitted. Investors who wants land for construction purpose, has to submit a proposal about his business activity in the first case. Then the authority of land for construction will be presented for auction among many investors. During this time there will be high competition on the price of given plote land.

At present time, price of a given plote of land is expensive. This has negative impact on investment activity in the town. One to this fact investors who submits his proposal in order to get land way not get land and incur losses. The land lease holding policy also some problems related with longer time to get land for business activity and investors cannot facilitate time value of money.

The above analysis shows the impact of land lease holding policy on investment activity. Due to difficulty to obtain land for construction and problems of affordability association with the decline of urban economy and increasing cost of construction materials.

4.3.2. LACK OF ADVISORY AND CONSULTATION SERVICE

Before starting an investment project, investors should know the social, economic and political situation to operate his or her business activity in an efficient manner. For this reasons the institutional workers should give for an investor information related to profitability of his business activity, availability of resource in that area and their utilization in effective way, study about the demand of goods and service produced from that activity by the society, employment opportunity for the society are some of the advisory and consultation service for an investor to operate his business activity in effective and continuity way.

The questionnaire conducted has serve the following information i.e. do you get consultation advisory service from the town’s investment office when you start your business activity?

Table 4.8

Respondent	Frequency	Percentage (%)
Yes	12	12%
No	86	88%
Total	98	100%

Source: Own survey, 2016

If yes, is it adequate?

Table 4.9

Respondent	Frequency	Percentage (%)
Yes	12	12%
No	0	0

Source: Own survey, 2016

Does it continue?

Table 4.10

Respondent	Frequency	Percentage (%)
Yes	12	12%
No	0	0

Source: Own survey, 2016.

The data collected from interview questionnaire shows that from 98 investors about 86 of which did not get advisory and consultation service. This shows that only 12% get advisory and consultation service when they start their activity, while the remaining 88% did not get any information. Due to this fact, there is some business man who stopped their activity due to incurring of loss. The data

also shows from the 98 respondents 12% of them say the service adequate and also continuous. This show only about 12% is adequate and continuous.

4.3.3. LACK OF PROMOTIONAL ACTIVITIES AND INCENTIVES.

4.3.3.1 PROMOTIONAL ACTIVITIES

The investment office has a function of collecting and analysing the list of property in the town, investment opportunities and information about projects land resource and report is to the regional investment bureau. This information is essential to know the investment opportunities and promote it for investors through different promotional methods (seminars, media) and there by develop investment activities in the town. In addition such communication between the towns' investment office and the regional investment in the region in general and to the town in particular.

Considering this questionnaire on respondents has given the following results. Is there any activity done by the investment office of the town and other governmental agencies in promoting investment opportunities?

Table 4.11

Respondents	Frequency	Percentage (%)
Yes	18	18%
No	80	82%
Total	98	100%

Source: own survey, 2016.

If yes how?

Table 4.12

Method of promoting	Number of Respondents	Percentage (%)
Advertising	6	33%
Seminars	7	39%
Other method	5	28%
Total	22	100%

Source: own survey, 2016.

But Nekemte Town investment office has weak capacity in promoting investment activity as suggested by respondents. From 98 respondents 80 respondents said d that there is no activity done by the investment of the town and other governmental agencies in promoting investment opportunities. This shows that 82% of the respondents said that there is no promotional activity by the office due to well qualified workers to study about investment opportunities in the town, financial constraint faced by the office.

The remaining 18% of respondents said that there is promoting of investment through seminars (newspaper, magazine) 39% by advertising through radio television which is about 33% and the remaining 28% through other methods like creating of social awareness, about the investment activity.

In general, do you think the promotional activity of the town is adequate to attract potential investors?

Table 4.13

Respondents	Frequency	Percentage (%)
Yes	16	16%
No	82	84%
Total	98	100%

Source: own survey, 2016.

The above analysis shows that the promotional activity of the town is not adequate to attract potential investors as 82 respondents said. While only 16 respondents answered as it is adequate to attract investors. It is due to low levels of promotional activities that the participants of domestic and foreign investors are low in Nekemte town compared to the newly developed towns like Adama and Bishoftu in the region.

4.3.3.2 LACK OF MAJOR INCENTIVES FOR INVESTORS

According to investment proclamation no 3711996, the following types of incentives shall be approved in full or in part, taking in to consideration the type of project and their location of establishment, these includes:-

- Income tax holiday and exemption from payment of custom duty for import.
- Carrying forward to losses incurring during tax holiday period.
- Deduction from taxable income of expenditure on research and training.
- Right to choose calculation of annual depletion allowance either on the basis of straight line or accelerated methods.
- Giving incentives to investors by the government encourage them to participate in investment activity.
- The right to exemption from payment of custom duty on export products (except coffee) source: secondary data, 2016.

But as most of the respondents suggested that giving of incentives to businessmen is simply put in theoretical manner to develop investment activities.

To know whether there are adequate incentives or not the data from questionnaire has given the following results. Is there any support (incentives) for investors in the town?

Table 4.14

Respondents	Frequency	Percentage (%)
Yes	22	22%
No	76	78%
Total	98	100%

Source: own survey, 2016.

If yes which one?

Table 4.15

Incentives	Frequency	Percentage (%)
Exemption from tax	10	46%
Access of land	6	27%
Loan from a bank	6	27%
Total	22	100%

Source: own survey, 2016.

From the total of 98 respondents 76 explained as they did not get any support or incentives. The remaining 22 which accounts 22% said they got incentives during their engagement. This includes exemption from tax (10 respondents) access of land and loan from a bank on behalf of the investment office (from six respondents).

4.3.4. CORRUPTION AND ADMINISTRATION PROBLEM

Corruption:-It affects investment development by misallocation of human and natural resources which result underutilization of resources. The negative effect of corruption on investment activity in the town can be proved from data obtained.

Was there any difficulty in getting investment license and permission from local government when there is investment opportunity in the town?

Table 4.16

Respondents	Frequency	Percentage (%)
Yes	56	57%
No	42	43%
Total	98	100%

Source: own survey, 2016.

Some respondents (56 from 98) have explained that the cause of low level of investment activity in the town is due to corruption by the investment workers the respondents said that there were difficult in getting investment license and permission from local government when there are investment opportunities in the town due to personal behavior and over taxation of some businessman activities beyond their capacities

ADMINISTRATION: currently Nekemte is the administrative capital of east wollega zone of oromia region it has a wareda states within the zone and kebele under it one of the function of the town administration to the promote public private partnership and attract to the town that would create employment and improve the life quality of the residents this can be achieved by providing urban socio economical service and expanding infrastructures promoting investment activities providing effective and efficient public service ensuring greater public participation in all important matters of the town, ensuring good government and development so as to make the town suitable for investment activity. Due to weak administrative problem some investor suggested that its negative impact on this activity

What do you think the cause of low level of investment activity in the town?

Table 4.17

Negative impact on investment	Frequency	Percentage
Administrative low level of skill of workers frequent turnover of workers	55	56%
Other causes	43	44%.
Total	98	100%

Source own survey 2016

Due to constraints an administrative system in the town the investment activities did out show any development as it expected from 98 respondents 56 of them have given information on administrative subdivision include weak municipal capacity which mainly owns to the generally low qualification of its staff.

There is also significant staff turnover which has an important implication on the municipality institutional capacity the continuation of this will make difficult to pursue a well-defined urban development an agenda at local level due care therefore be taken in order to appoint strong and committed personalities that would lead the administrative system in a more responsible manner.

4.3.2 ECONOMICAL PROBLEMS ON INVESTMENT ACTIVITY

4.3.5.1 LACK OF CAPITAL (LOAN SERVICE)

Currently there are governmental banks to facilities loan service to their customer in the town these are commercial bank of Ethiopia, construction and business bank of Ethiopia there are also private banks such as Awash Bank.

It is worth nothing that the percentage of these banks would contribution the towns commercial role as they provide short term loans to businessman but the importance of their financially institution to facilities the investment activity is limited as followed data shows

What is the source of income to start your investment activity?

Table 4.18

Source of income	No of investors	Percentage
Loan from a bank	13	13
Loan from individual	9	9
Loan from NGO	40	41
Personal saving	8	8
Micro finance	28	29
Total	98	100%

Source own survey 2016

The data obtained from interview questionnaires shows that from a bank to start their investment activity the of respondents got loan from an individual which 40 investors use their income which is saved for investment purpose the remaining 8 and 28 respondents are got loan from NGO ,and microfinance respectively .

This shows that even though there are enough financial institution in the town the number of investors who got loan service are very limited this is due to absence who get collateral assets to get loan from financial institution failure of banks to have sufficient information reporting their customers to give loan service private owners have also problem related with poor saving system failure to make investment bases on market studies which leads losses low level of educational and functional which leads how utilize and manage their funds functional training problems prevailing the town.

4.3.5.2. HIGH LEVEL OF TAXATION

Due to high level of taxation a business activity in the towns some investor have faces problems during their engagement during taxation tax collectors over valued their capital assets and they very

high amount of tax on their business even during low level of profit due to low level of worker activities and it is difficult to continue their activities in sustainable way

On the other hand, there is a policy set by the government to exempt from taxation on private own as to enhance their activities from market failure the table below shows the support incentives for investor including exemption from tax. Is there any support incentive for investors in the town? If yes, which one?

Table 4.19

Incentive	No of investors	Percentage
Exemption from tax	10	45.45
Loan from bank	6	27.27
Access of land	6	27.27
Market for your goods and service	0	0
Total	22	100

Source: own survey, 2016.

But as 82 respondents from the total of 98 respondents explained that this policy is simply put on paper without practical and they do not get tax payment advantage as an incentive during market.

4.3.6 INFRASTRUCTURAL PROBLEMS IN INVESTMENT ACTIVITY

Nekemte town has better infrastructure facilities like transportation service telephone service social service but the currently available infrastructure service do not correspondent to the exact supply and demand condition to facilitate business activity in general and for investment activity in particular due to poor quality and quantity of these services with regard to this issue the following data has been obtained from interview questionnaire.

To develop the investment activity more replayed is there infrastructure service for this activity?

Table 4.20

Respondents	Frequency	Percentage
Yes	76	77.9
No	22	22.1
Total	98	100%

Source own survey 2016

If yes, which are?

Table 4.21

Infrastructure facilities	Respondent	Percentage%
Power supply	22	28.94%
Banking and loan service	16	21.05%
Telephone	14	18.42%
Transportation	24	31.57%
Total	76	100%

Source: own survey, 2016.

4.3.6.1 TRANSPORT SERVICE

Nekemte town has both intercity and regional transport service asphalted grave surfaced and all weather roads of different which exists in the town

The existing main urban center would continue to serve as regional and urban level centers with unquiet feature of specialized and higher order facilities and service the different modes of transport that give transport service in the town include horse drawn coat city bus, tax, and motorcycle and bicycle

City bus: Nekemte is one of the very few towns in Ethiopia with bus transport service while some buses over lag on the same route; there are many large unsaved areas on the other hand the number of city bus users has been declining due to introduction of more efficient and comfortable taxi transport and obsolescence of the buses the city buses are old and frequently sent to of age maintenance and hence the service is not provided smoothly and regularly.

Taxi: There are large number of the passenger along from bake-jama to university hewer the texting g number of taxis are not adequate the major problems absorbed on the on the road condition of the town includes deterioration and lack of proper maintenance of roads and sharing of the same route by different modes of Transports by foot and by different types of vehicles which caused over crowing.

4.3.6.2 HEALTH AND EDUCATIONAL SERVICE

- i. **Health service:** the exiting health facilities in the town include on be health center one referral in hospital, some clinic and pharmacies drugstores the burden on the health institution located in Nekemte town is high as the town serve those coming from other urban and rural areas so there is a need to construct additional health institution in the area to relieve the burden on the health institutions.

The various health service data indicate that HIV/AIDS is increasing of a learning rate and it is one the problem that post threat to the town the rate of infection is mostly observed among the youth the prevalence rate of the disease in currently estimated over 50% of the town's hospital bed is occupied by AIDS patients the social and physiological decay the illness and community break down has made relative impact on development endeavours.

ii. **Education service:** the availability of higher education and training institutional a potential role in development activities of private sector currently one university which consist of various facilities is under taken under graduate and post graduate programs besides there is one teacher training college and four private college primary which provide distant education program in Nekemte town's

Despite the fact that the educational access has raised it has faced with light quality problem the exiting schools are facing problems like poor physical states of building shortages of furniture shortage of class room, low level of teaching process and absence of capable of teachers are among few problems to be mentioned

4.3.6.3 POWER SUPPLY

Water supply: until recently Nekemte water supply has been obtained from found water supply of the town is obtained from hadiya water source the exiting water supply situation does not reflect the exact supply demand condition

electricity supply Nekemte has got hydroelectric power supply which has a maximum capacity of 4.8 MW from fincha there are transformers tat step down the higher power in to low voltages for house hold consumption most of the users are domestic users followed by commercial and government institution but there shortage of electricity for private consumers besides, there is no light for some roads and it is difficult for movement at night.

5. CONCLUSION AND RECOMMENDATION

5.1 CONCLUSIONS

Allocation of capital on different sectors of economic activity is essential to more the available resource resources in to more productive to increase the development allocation of human and natural resources in effective and efficient manner on investment it activity is very b crucial aspect without investment it is impossible to have any development rather it remains in poverty this is minty seen in developing counties like Ethiopia if there is an employment there will be low productivity which results in low level of income there is poverty

Their research conducted in Nekemte town to investment the factors responsible for the low level of investment activity data was collected through primary and secondary method the data obtained

was collected interpreted through inferential method according to data obtained shows that the investment activity was found in its low level to activity due to various constraints.

However, the town has good opportunity to become an important distribution center in east wollega zone, owing to its strategies location due to proximity to Addis Ababa and as a junction point for roads that head to various directions yet the level of the investment in other small towns that recently gained a higher administrative status.

Bureaucratic system of land lease policy has a great impact on investment activity due to high completion among investor a small unit of land has high price in the town and it is difficult to get land easily for construction purpose.

Low level of institutional capacity due to absence of well qualified workers to study investment opportunity in the town and to promote it to potential investors to give advisory and incentives for private investors have its own limitation on this activity.

The towns low level of infrastructure facilities like deteriorated and overcrowded roads, unbalanced educational and health services with the town's population have also negative influence on investment activity.

In general, Nekemte strategic location as a middle route with favorable climatic condition can be seen as opportunity for development of new investment activity, and due to economical, infrastructures and political hindrances this activity in its low of stage in the town.

5.2 RECOMMENDATION

To enhance the investment activity in the town in the future, the following recommendations are suggested by the researcher.

- ✓ The main constraint for business activity in the town is the difficulty to easily obtain land for new investment. In this regard the land lease policy which is being used by the local authorities for implementation in the town should be handled in the manner that will contribute to the ratification of local urban economy.
- ✓ Development of infrastructural facilities plays a major role for the development of investment activities. In order to facilitate transportation service, deteriorated roads should be maintained, gravel surface roads should be asphalted and the construction of additional inner roads which can help for fast movement of goods and service within the town.
- ✓ To diversify the business activities, it is essential to provide sufficient information to private investors about alternative investment opportunities .In these regard investors

before starting their investment activities by seeing only others doing it should identify new investment activity in the town.

- ✓ The institution capacity of town should strengthen to give advisory and consultation service for potential investor.

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