

DETERMINANTS OF PRIVATE INVESTMENT DECISION USING TOBIT ANALYSIS: CASE STUDY OF DESSIE AND KOMBULOCHA CITY-ETHIOPIA

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ABSTRACT

Private investment is a crucial pre-requisite for economic growth because it allows entrepreneurs to set economic activity in motion by bringing resources together to produce goods and services. Ethiopian Government provides opportunities to private investment but still there are many challenges in terms of cost and investment risks. There is a need to conduct research on micro level factors affecting private investment in Ethiopia particularly with Dessie and kombolcha City Administration. For this purpose, 130 private investors are selected based on started operation and implementation stages in their investment activities as willing and non-willing investors and also used both primary and secondary data. Econometric Method of analysis was adopted using Tobit Model and also employed descriptive analysis to analyze the survey data. The results of the research showed that firm size, education, access to land, interest rate, legal system and corruption were the most important determinants of private investment in the study area. Based on these, the Government and Ministry of Finance and Economic Development should formulate policies to expand the education activities to more regions, introduce proactive land development and administration procedure, make loans available at reasonable interest rate etc. to control investment challenges and make economically prosperity nation.

Keywords: Private Investor, startups and implementation stages, Tobit Model, Willing and non-Willing Investor.

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