

ADDIS ABABA UNIVERSITY

SCHOOL OF POSTGRADUATE STUDIES

DEPARTMENT OF MANAGEMENT

FACTORS AFFECTING FINANCIAL INVESTMENT ACTIVITIES: INSIGHTS FROM INVESTMENT ADVISORS: A CASE STUDY OF SELECTED INVESTMENT ADVISORS IN ETHIOPIA

BY

KIDEST AYALEW

JUNE, 2026

ADDIS ABABA, ETHIOPIA

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GSE/1900/14

A Thesis Submitted to Addis Ababa University, College of Business and Economics Department of Management for Partial Fulfilments of the Requirements of Master's Degree in International business Management.

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JUNE, 2026
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DECLARATION

I, Kidest Ayalew, declare that the thesis entitled "***Factors Affecting Financial Investment Activities: Insights from Investment Advisors: A case study of selected investment Advisors in Ethiopia: A case study of selected investment Advisors in Ethiopia***" is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Hailemariam Geberemicheal (PhD). Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

Kidest Ayalew _____ _____

Signature Date

STATEMENT OF CERTIFICATION

This is to certify that Kidest Ayalew's research work on the topic entitled "***Factors Affecting Financial Investment Activities: Insights from Investment Advisors: A case study of selected investment Advisors in Ethiopia: A case study of selected investment Advisors in Ethiopia***" is her original work and suitable for submission for the award of Master's Degree in International Business Management at Addis Ababa University, College of Business and Economics, Department of Management. This project paper has been submitted for examination with my approval as a university advisor.



Hailemariam Geberemicheal (Ph.D)

(Advisor)

June, 2026

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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

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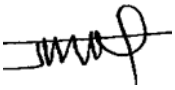
Signature: 

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The thesis is accepted in partial fulfilment of the requirements for the degree of Master in Management.

Date of Final Approval: _____

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LIST OF ABBREVIATION AND ACRONYMS

ADB - African Development Bank

AfCFTA - African Continental Free Trade Area

ANOVA - Analysis of Variance

CFA - Chartered Financial Analyst

CSR - Corporate Social Responsibility

ECMA - Ethiopian Capital Market Authority

EIA - Ethiopian Investment Advisors

EIC - Ethiopian Investment Commission

ESG - Environmental, Social, and Governance

ESX - Ethiopian Securities Exchange

FDI - Foreign Direct Investment

FDRE - Federal Democratic Republic of Ethiopia

GDP - Gross Domestic Product

ICT - Information and Communication Technology

IMF - International Monetary Fund

MBA - Master of Business Administration

NBE - National Bank of Ethiopia

OECD - Organization for Economic Co-operation and Development

SEC - Securities and Exchange Commission

SME - Small and Medium Enterprise

SPSS - Statistical Package for the Social Sciences

UNCTAD - United Nations Conference on Trade and Development

UNPRI - United Nations Principles for Responsible Investment

SPSS - Statistical Program for Social Sciences

ABSTRACT

Using 72 survey samples, this study aims to examine the factors influencing financial investment activities from eight selected financial advisory firms in Addis Ababa, Ethiopia. The research adopts quantitative research approach and explanatory research design. To analyse and present the data descriptive and inferential analysis methods such as correlation and regression analysis methods were used. The study findings showed that political factors such as governance stability, institutional satisfactory and bureaucratic performance were the driving forces of investment activities and revealed the major effect among all the determinants studied. Besides, financial factors, which include access to credit and capital, were found to be the second most determinant for factors affecting of investment activities. Likewise, environmental factors also played high impacts on investment activities). Nonetheless, the effects of the last two factors were statistically insignificant; they had made quite unique effects. Together, the five sets of determinants explained 75.7% of variations in financial investment activities where the model was statistically highly significant ($F = 41.269$, $p < .005$). Thus, the study concluded that robust investment activities were sequentially dependent on a strong set of political and institutional factors, followed by financial factors and environmental factors that facilitated investment activities. Recommendations were also made to increase investment activities by expanding governance and institutional factors, increasing financial access and literacy, building business-enabling infrastructure and creating investment-friendly culture. For investment advisory professionals, they should integrate political, financial, and environmental risk considerations into their advisory practices to improve the quality of investment decisions.

Keywords: Financial Investment, Political Factors, Financial Factors, Economic Factors, Socio-Cultural Factors, Environmental Factors

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Investment is an important strain of economic growth and reform. It serves as a key mechanism for capital accumulation, equipment manufacturing, and technological improvement (IMF, 2019). According to Bodie et al., (2013) financial investment performs, whether or not mile-shares, mortgages, owning particular goods or schooling, plays an important place in shaping monetary balance and prosperity. However, investment choices are motivated using many factors, together economic conditions, monetary stability, market dynamics, political and social characteristics and environmental issues. Understanding the elements is crucial for customers, policymakers and monetary advisers to mitigate risks to optimize financing strategies.

According to World Bank, (2020) the global economic panorama has fluctuated widely worldwide due to economic uncertainties, geopolitical tensions, environmental demand conditions, all of which impact investor self-assurance. Investment activities in developing economies like Ethiopia, whose financial markets are however developed Macroeconomic instability financing are mainly touchy of regulatory restrictions and constrain the right to access financing (ADB, 2019).

Moreover, within the course of investment, socio-cultural attitudes, threat tolerance, and monetary literacy additionally form investment conduct. Given the complexities of ones, investment advisors play a vital role in guiding traders through those challenges with help offering commercial and venture insights (Hashmi et al., 2012).

This examination seeks to look at the key elements affecting the financial investment activities, with a focus on the investigation of investment advisors. Reading economic, monetary, social, environmental and political determinants, the study seeks to provide a complete expertise of the investment environment in Ethiopia. Khan and Reinhart, (1990) explained that macroeconomic indicators specifically inflation, interest prices, GDP growth, and exchange rate stability without delay affect investor self-assurance and capital allocation. Durham, (2004) argued that high inflation challenges consumers purchasing power, discouraging long-term investment, while volatile exchange rates increase foreign investment hazards.

In Ethiopia, no matter the recent financial boom, conditions coupled with currency depreciation demand and force personal finance to credit for limited access (Mustefa, 2014). Moreover, government economic and fiscal economy policies form investment climates. Tax incentives, subsidies, and infrastructure improvement can appeal to investors, while excessive regulation may additionally deter capital inflows (OECD, 2012). Ethiopia has brought investment incentives, inclusive of tax exemptions and land get entry to, to stimulate personal zone participation (EIC, 2019). However, inconsistent policy implementation and bureaucratic inefficiencies stay barriers (Ouattara, 2004).

Understanding these monetary dynamics is essential for financing advisors to provide accurate operations to customers while navigating through Ethiopia's evolving economic panorama. Financial market reforms are another important thing that affects the investment activities. Availability of various financial gadgets, stock market liquidity, and rest of the banking sector determine financing opportunities (CFA Institute, 2023). Financial sector in Ethiopia is ruled by traditional banking, with restrained capital market options, financing diversification is prohibited (World Bank, 2020). Financial literacy Investor training and painting, as people with higher monetary statistics are more likely to engage in cutting-edge investment techniques (Bodie et al., 2004).

Dhiraj and Nikhil (2012) argued demographic characteristics, proximate cultural attitudes to saving, and coincidentally form perceptions, as well as financing behaviours as social elements. Low financial inclusion in Ethiopia and the preference for tangible assets (e.g., real property) over economic securities reflect sociocultural influences on investment preferences (Simachew, 2017).

Investment advisors need to take the ones social dimensions under consideration while designing customer-centred financial plans. Environmental sustainability has grown to be a key attention in present day investment strategies. Climate alternate dangers, regulatory adjustments in the face of green finance, and investor demand for ESG (environmental, social, and governance) compliance are reshaping economic markets (UNCTAD, 2001).

In Ethiopia, environmental degradation and useful resource shortage pose lengthy-term dangers to sectors like agriculture and actual estate, necessitating sustainable investment procedures (ADB, 2019).

Political balance and governance fine are similarly essential. Political unrest, corruption, and susceptible criminal frameworks deter investment by way of growing operational dangers (Peddy & Dominique, 2007).

According to NBE, (2023) the Ethiopian investment landscape offers a compelling paradox. While the country has maintaining an average GDP of 6.2% over the past decade, foreign direct financing inflows declined to 18% by 2022 (UNCTAD, 2023). This contradiction highlights the complex interplay of things affecting investment decisions in emerging markets. Thus, this study explores the multifaceted factors affecting financial investment activities, drawing insights from investment advisors in Ethiopia.

1.2. Statement of the Problem

Investment plays a dynamic role in promoting economic growth, creating employment, and improving the overall economic performance for the country like Ethiopia. The Ethiopian Investment Commission 2025 Strategic Roadmap emphasizes developing an "advice-enabled financing environment" that bridges commercial enterprise, financing operations and fact asymmetries and complements market performance (EIC, 2023). According to FDRE, (2021) Ethiopia’s 10-year reform plan (2021-2030) envisions America’s transformation into Africa’s production hub with large non-public investment increases, focused on 28.5% of GDP through 2030.

Globally, OECD (2022) indicates that a strong Investment consulting can surge through capital allocation performance 30-40% in emerging markets.

Ethiopia's investment landscape maintains underperformance no matter its ambitious dreams, with us of attracting the best of $three.2 billion in FDI during 2023 - set at 42% below the East African regional average (UNCTAD, 2024). This poor overall performance is reflected in Ethiopia’s 145th position out of 190 countries in the 2023 Global Investment Competitiveness Report, which highlights several significant constraints. Bureaucratic inefficiency remains a major obstacle, with the technique taking an average of 98 days for investment approvals (World Bank, 2023).

The financial sector shows limited improvement, with non-public sector debt standing at only 28.3% of GDP (NBE, 2024), at the same time specialist investment adviser offerings are less used through the easiest 17% traders (EIA, 2023). The newly established Ethiopian Securities Exchange (ESX), listed organizations as of June, 2024, exemplifying the continued underdevelopment of the formal capital market (ESX, 2024).

Even though investment advisors were officially marked under Declaration No. 1244/2021, their ability to address three prime demand situations remains in large part untapped: persistent information gaps regarding post-conflict investment opportunities, widespread financial literacy deficiencies (Finscope, 2023). These interconnected elements are preserved to constrain Ethiopia's ability to invest regardless of its financial goals.

Long-term gaps within the investment of advisory proposals pose a broader risk to Ethiopia's financial reform. If left undetermined, the usa faces underperformance in opposition to 2030 investment dreams, modern day estimates suggest a 19% decline (IMF, 2024). Nevertheless, a demanding "investment record discrepancy" exists, as evidenced through sixty-eight% of survey groups reporting suboptimal investment picks due to inadequate professional guidance (Addis Ababa Chamber of Commerce, 2024).

The advisory deficit particularly threatens Ethiopia's ability to take advantage of growing opportunities under the African Continental Free Trade Area (AfCFTA), especially in sectors with enormous potential such as manufacturing and information technology. As a result this approach focuses on how superior financial advisory structures should help overcome five essential boundaries: (1) navigate macroeconomic volatility, (2) improve access to monetary markets, (3) overcome cultural resistance to formal financing channels, and (4) assess presenting war risks (5) investments to facilitate the transition to inexperience. While previous studies have primarily examined factors affecting investment activities from the perspective of investors, limited attention has been given to the professional insights of investment advisors. Investment advisors interact with multiple investors, evaluate investment opportunities, and observe investment trends across different sectors. Therefore, their professional experiences provide valuable insights into the factors influencing financial investment activities in Ethiopia. This study seeks to address this gap by examining the factors affecting financial investment activities through the perspectives and professional observations of investment advisors.

Therefore, the study aims to examine the Factors Affecting Financial Investment Activities: Insights from Investment Advisors: A case study of selected investment Advisors in Ethiopia.

1.3. Research Hypothesis

Based on the background of the above stated problem statement, the study sought to answer the following questions:

H1: Economic factors have a positive and significant effect on financial investment activities.

H2: Financial factors have a positive and significant effect on financial investment activities.

H3: Social factors have a positive and significant effect on financial investment activities.

H4: Political factors have a positive and significant effect on financial investment activities.

H5: Environmental factors have a positive and significant effect on financial investment activities.

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to assess the Factors Affecting Financial Investment Activities: Insights from Investment Advisors: A case study of selected investment Advisors in Ethiopia in Ethiopia.

1.4.2. Specific Objectives

The study specifically conducted to:

- To analyze the effect of economic factors (interest rates, inflation) on financial investment activities the case of selected Investment Advisors in Ethiopia.
- To examine the influence of financial factors (access to capital, credit availability) on financial investment activities the case of selected Investment Advisors in Ethiopia.
- To determine the impact of social factors (cultural attitudes toward risk, financial literacy levels) on financial investment activities the case of selected Investment Advisors in Ethiopia.
- To evaluate the effect of political factors (government stability, tax policies) on financial investment activities the case of selected Investment Advisors in Ethiopia.
- To study how environmental factors (natural resource availability, infrastructure quality) influence financial investment activities the case of selected Investment Advisors in Ethiopia.

1.5. Significance of the Study

This study holds significant value for several of stakeholders, including traders, monetary advisers, coverage makers, academic researchers.

For investors, the findings will adjust the choice making by highlighting key threats and possibilities, allowing for more knowledgeable strategic investment picks. Investment advisers will benefit from an in-depth knowledge of the elements that shape buyer behavior, allowing them to provide more tailored and effective financial guidance.

For policymakers, the results of this study will serve as a valuable reference for designing policies that sell a robust and attractive investment environment. By identifying regulatory inefficiencies, monetary market barriers, and socio-cultural limitations, studies can tell reforms geared to boost investor self-perception and monetary growth Additionally, financial institutions and capital market regulators can use findings to enhance more inclusive economic goods and investor education programs is nourished.

Academically, this one look contributes to the existing literature on investment conduct, especially in emerging economies including Ethiopia, in which studies on the status of investment advisors are limited. Future researchers can build on this diagram to analyze sector-unique investment characteristics or for comparative studies across precise sectors.

Ultimately, this research assists Ethiopia in its desires for comprehensive monetary reform by providing actionable tips to strengthen financial markets, increase investor confidence, and stimulate sustainable financing play.

1.6. Scope of the Study

The scope of the study is bounded by its geographical, conceptual, methodological, and temporal clauses. Geographically, the overview is restrained to eight selected private investment advisory firms operating in Addis Ababa, Ethiopia, especially selected firms namely: Grant Thornton Ethiopia, Rise Addis Advisory, Pragma Investment Advisory, Bridge Investment Consultancy, NEXUS Investment Solution PLC, ACE Investment & Impact Advisors, Ibex Frontier LLC, and HST Consulting PLC .

Conceptually, the studies investigated five explanatory factors affecting investment financing activities in Ethiopia: Financial Factors, Economic Factors, Environmental Factors, Political Factors, and Socio-Cultural Factors and the dependent variable which is Financial Investment Activities. Methodologically, the study used a quantitative research approach with descriptive and explanatory research design. To analyze and present the data descriptive and inferential analysis methods such as correlation and regression analysis methods were used.

Time scope, the study used a time period between 2020 and 2026. This period covered huge monetary changes including post-pandemic recovery; regulatory changes and investor

behavior evolution, ensuring studies reflect contemporary market conditions.

1.7. Organization of the Study

The study has five chapters. Chapter one presents the introduction of the study. The first chapter presents detailed discussion on the background of the study, the problem statement, the research question, the objective of the study, definition of terms, significance of the study, the scope and limitation of the study. Chapter two presents the review of related literatures review, Moreover, Chapter three discusses about the methodology adopted to conduct the research. Chapter Four presents Data Analysis and Interpretation, and the final chapter delivers the researcher's recommendations, conclusions and summary of the research based on the findings.

1.8. Definition of Terms

In order to provide clarity and consistency throughout this study, key terms related are defined below:

Financial Investment Activities: Financial investment activities seek advice from the process of committing cash to various economic assets, in which future returns are expected to earn and wealth grow (Bodie, Kane, & Marcus, 2018).

Investment Advisors: Investment advisors are experts who provide steering and recommendations to individuals and agencies on investment possibilities, portfolio management, and economic construction plans based entirely on their understanding and market knowledge (SEC, 2020).

Economic factors: Economic elements check with macro financial conditions, which include inflation, hobby rates, monetary growth and employment degrees, which have an impact on investment choices and the overall performance of the economic market (Mankiw, 2020).

Financial factors: Financial elements include components that include access to credit scores, market liquidity, interest rate movements, and economic market developments, all of which affect investment decisions and capital allocation (Mishkin, 2019).

Social Factors: Social factors negotiate with demographic characteristics, cultural values, financial literacy, social norms, and public attitudes that shape the investment choices and economic behavior of individuals (Grable & Chatterjee, 2019).

Political factors: Political elements include government guidelines, regulatory frameworks, political stability, governance satisfactory and legal institutions that influence the investment environment and financial choice making techniques (Alesina & Perotti, 1996). **Environmental factors**: Environmental elements refer to climate-related hazards, herb-useful resource availability, environmental regulations, and sustainability concerns that may have an impact on investment prospects and long-term economic returns (UNPRI, 2021).

CHAPTER TWO

LITRATURE REVIEW

This chapter deals with review of related literature to the topics the factors affecting financial investment activities. Definitions of relevant concepts are also included in this chapter to grasp a clear understanding of the topic and provide answers to the research questions mentioned in the previous chapter. Hence, the literature review is organized in three major areas, which are the theoretical part and the empirical review and conceptual review.

2.1. Theoretical Literature Review

Investment theories provide essential insights into how individuals, companies, and governments make financing choices to achieve monetary returns within the future. These theories help explain the factors that influence investment operations and the allocation of useful resources. Over time, traditional theories were better suited to behavioral mental processes, recognizing that investment choices are not consistently based entirely primarily on rational economic issues in general.

2.2.1. Classical Theory of Investment

The classical idea of investing assumes that investors make rational choices after carefully evaluating risks and predicted returns. According to this concept, investment choices are often pushed through earnings expectations and prevailing monetary conditions (Waweru et al., 2008).

However, the idea has been criticized for ignoring market imperfections, government-assisted interventions, and behavioral outcomes that often affect financing choices in practice (Hall & Jorgenson, 1969; Hens & Rieger, 2016).

2.2.2. Neoclassical Theory of Investment

Investment basically depends on the anticipated output and value of capital of the economy according to neoclassical thought. According to this view, corporations make the most effective investments when the benefits exceed the cost of financing. The concept is also stable with the concept that corporations routinely exchange their investment securities due to monetary operational constraints and the theory is restricted despite its expensive application. The motivation is that they count on ideal market conditions that do not exist in growing economies; Hens & Rieger, 2016; Setiawan et al., 2018).

2.2.3. **Q Theory**

Tobin's Q Theory explains investment behavior through the relationship between a firm's market value and the replacement cost of its assets. The theory argues that when a firm's market value exceeds the replacement cost of its assets, investment becomes attractive, encouraging firms to expand their capital base. Conversely, firms may reduce investment when market values are relatively low. Although the theory effectively links financial markets with investment activity, its applicability is limited in economies with underdeveloped capital markets (Tobin, 1969; Mankiw, 2003).

2.2.4. **Accelerator Theory**

Accelerator theory shows that financing is increasingly driven by changes in demand and output. According to this theory, companies' investment increases when commodities are in demand and offers increase, requiring additional production capacity. The theory highlights the close relationship between economic growth and financing activity. However, it pays moderate interest to factors such as financing constraints, investor expectations, and marketplace uncertainty, which can be important determinants of investment choices in many developing international locations (Clark, 1917; Keynes, 1936; Serven & Solimano, 1991).

2.2.5. **Behavioral Finance Theory**

Behavioral finance theory challenges the traditional assumption that buyers consistently act rationally. He argues that mental elements, emotions, cognitive biases, and social influences extensively influence investment choices. The theory helps provide an explanation for common investor behavior that includes overconfidence, herder conduct, and emotional reactions to marketplace fluctuations As an end result, it presents additional realistic information on investment behavior under uncertain market conditions (Waweru et al., 2008; Hens & Rieger, 2016; Setiawan et al., 2018).

2.2.6. **Prospect Theory**

Probability theory, developed through Kahneman and Tversky, explains how people make decisions under conditions of chance and uncertainty. The theory suggests that humans are more sensitive to losses than gains of equal importance. Consequently, investment options are routinely formulated using perceptions and emotions rather than objective assessments of risk and return in simple terms (Kahneman & Tversky, 1979; Edwards, 1996; Pradikasari & Isbanah, 2018; Usman, 2019).

2.2.5. Determinants of Financial Investment Activities

2.2.5.1.Economic Factors

Economic elements play an important role in shaping investment decisions and enterprise performance. Government guidelines, prison frameworks, and institutional performance notably impact monetary growth and company financing activities. High-exceptional governance and green criminal establishment reduce transaction fees, improve operational performance, and support innovation (Beck, 2006).

A well-functioning legal system reduces commercial enterprise risks, thereby increasing the overall performance of an investment (Laeyen, 2007). In addition, authorities can encourage innovation through procurement regulations encouraging firms to expand new technologies and goods. Economic policies additionally influence governance better with openness to change and competitiveness, which in turn affects the climate of investment (Sachs, 2003).

Previous studies advocate that higher governance institutions better bureaucratic efficiency, reduce enterprise costs, and improve public service delivery (World Bank, 2004).

2.2.5.2.Financial Factors

Financial elements are important in determining financing strategies and corporate financial transactions. Traditional economic theories expect rational buyers and green markets, but behavioral finance reveals cognitive and emotional biases in choice making (Kartašova, 2013).

Individual buyers routinely assume more risks compared to companies (Bhatnagar, 2016); at the same time the investment choices of corporations are motivated by liquidity and capital structure (Erel et al., 2017).

Agency problems arise when managers prioritize personal hobbies over shareholder value, leading mainly to suboptimal investments (Park et al., 2017).

Financial behavior is also shaped through investor psychology, marketplace sentiment and managerial perceptions (Shah, 2013). In addition, the tradeoff consideration shows that companies balance debt and profitability to optimize investment choice, at the same time the pecking order theory shows the desire for internal financing (Danso et al., 2019).

2.2.5.3.Social Factors

The social and cultural environment appreciably influences corporate management, employment mechanism and company lifestyle (Tang, 2006; Fan, 2007).

Regional cultural norms influence employees' motivation, innovation, and choice-making, affecting organization performance in the long run. Social factors also shape patron behavior, market appeals, company social responsibility (CSR) techniques, which can increase symbol popularity and long-term profitability Moreover, stakeholder expectations and network engagement play a role in investment decisions, especially in industries requiring social licensing to operate (e.g. mining and energy sectors).

2.2.5.4.Environmental Factors

Due to increasing regulatory pressure and stakeholder requirements, environmental sustainability has become a key consideration in investment decisions. Firms that adopt environmentally friendly practices often benefit from fee and financial savings, progressive hazard control, and more profitable market competition Environmental policies, including carbon pricing and emissions requirements, influence company investment in accessible technologies (Porter & van der Linde, 1995).

In addition, weather-related hazards (e.g., physical and infection risks) have an impact on long-term investment techniques, with increasing numbers of traders favoring corporations with strong environmental and social governance (ESG) and overall performance (Eccles et al., 2014).

2.2.5.5.Political Factors

Political balance and governance quality are essential for climate financing. Political instability discourages financing through increased uncertainty and threats (Alesina and

Perotti, 1996). Effective governance institutions reduce economic volatility, embellish policy predictability, and reduce commercial enterprise fees (North, 1981; World Bank, 2004).

Political factors, including tax guidelines, regulatory frameworks, and bureaucratic efficiency, influence investment decisions all at once. The study implies that nations with strong governance attract more foreign direct investment (FDI) due to less corruption and greater enforcement of contracts (Kaufmann et al., 2003).

Moreover, monetary guidelines and political institutions are interdependent, with trade openness and opposition fostering high governance (Sachs, 2003).

2.2. Empirical Literature Review

Theoretical literature dictates the positive relationship between factors affecting financial investment activities. Empirical literatures from different time are also summarized as follows:

Ambaye (2014) observed that domestic debt to the non-public sector can negatively affect private investment because finances are diverted to non-efficient activities. Similarly, Ambachev (2010) recognized bureaucratic inefficiencies, infrastructure shocks, and constrained access to financing as major barriers, emphasizing that credit availability instead of interest charges plays an important role in investment choice.

This is consistent with Muhdun (2016), who argued that non-public sector borrowing in developing economies often consumes cost ranges (e.g., healthcare and schooling) as opposed to effective investment. The macroeconomic balance is every other important determinant.

Oshikoya (1994) proved that inflation discourages individual investment in low-income nations, as did Baye et al. (2015) show that the impact of trade tariff fluctuations is erratically funded across sectors.

The role of public investment is a matter of debate: Adugna (2013) found public infrastructure spending to complement private financing in Ethiopia, while Badawi (2004) found a crowd-out effect in Sudan, where government borrowing suppresses individual quarterly credit scores

Political and governance elements additionally have a broad impact on investment environments. Deneke (2011) associated corruption and bureaucratic red tape with decreased investment performance, as Alesina & Perotti (1996) established that political instability deters long-term investment through increasing uncertainty.

The World Bank (2004) further emphasized that strong governance Macroeconomic conditions, urbanization and institutional framework play an important role in the real estate sector to complement investment to increase regulatory efficiency and reduce commercial venture risks.

Ellie et al. (2019) observed that inflation, trade prices, and per capita GDP notably impact the overall performance of real estate in Nigeria.

Similarly, Bioreri (2015) highlighted hobby rates as a major driver in Kenya (2013), who found that economic boom and demographic change lure investment, while political instability and prison opacity deter it

This emphasis was emphasized by Sirya (2017), who demonstrated that the city's population growth leads to a call for housing and commercial spaces.

Foreign financing in real estate is particularly touchy for monetary coverage situations; Lai & Fischer (2007) recognized operational risks, land charges, and market size as essential elements for FDI in Taiwan's property market. Human capital and the technological environment shape investment styles.

Baptista & Mendonca (2010) argued that sectors with strong prescriptive foundations lure understanding-based investments, while ECOSOC (2013) highlighted innovation-pleasant regulations as key drivers of technological advances

Carlin et al. (2010) emphasized good infrastructure is equally important; Erden (2005) analyzed 19 developing economies and found that public financing stimulates a private sector boom, while macroeconomic instability discourages it.

In summary, financing activities are encouraged using a mix of macroeconomic stability, institutional niceness, sector-specific dynamism and infrastructure reform Future research

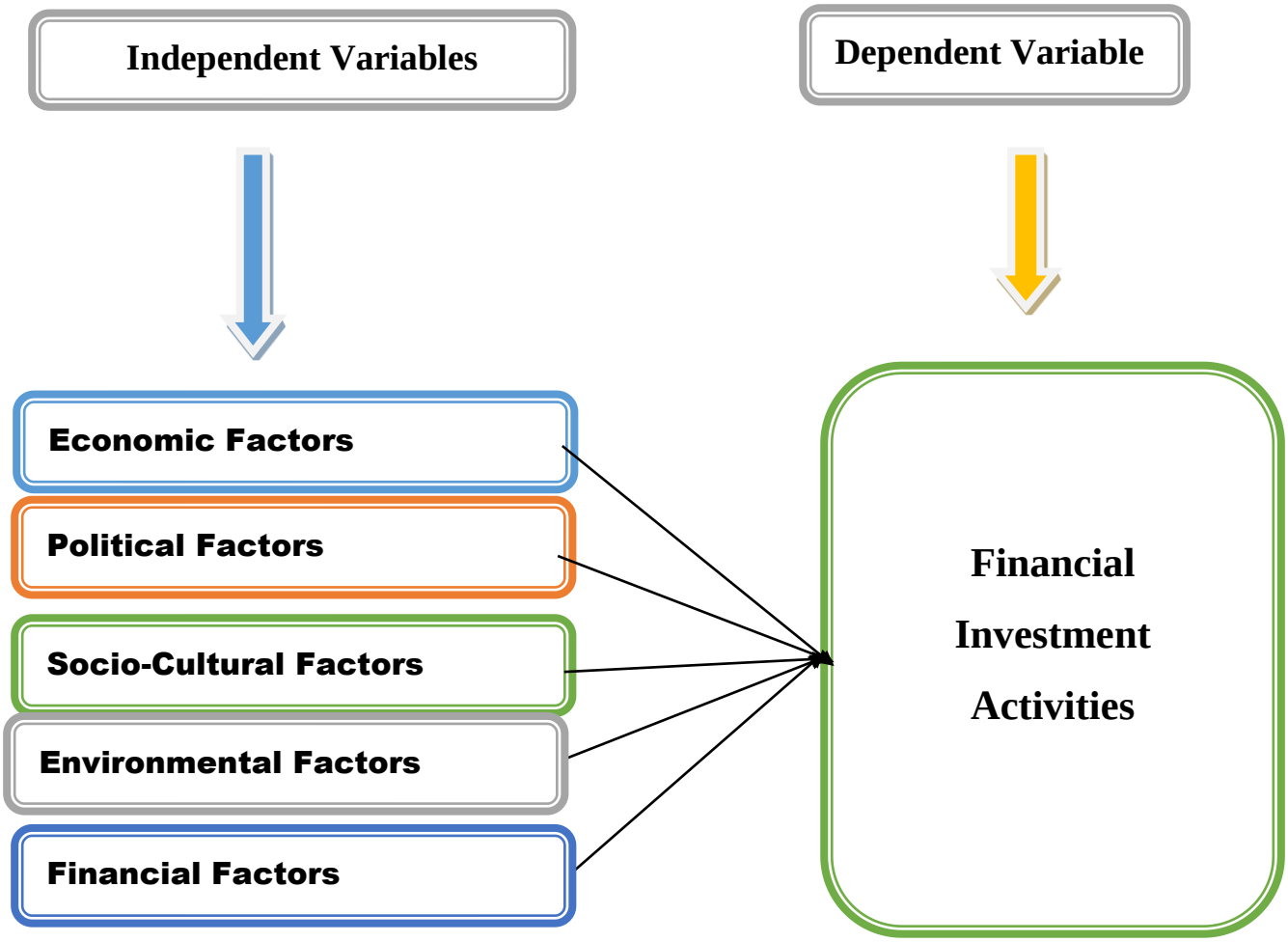
should discover how these elements interact in rapidly urbanizing economies, especially in Africa, where real assets and private investments are critical for financial growth.

2.3. Conceptual Framework of the study

Based on the theoretical and empirical literature reviews the following conceptual framework of the study is developed by researcher.

Figure 1 presents the conceptual framework of the study, illustrating the relationship between independent variables such as Economic factors, financial factors, Social factors, Political factors and Environmental factors and the dependent variable, which is a financial investment activity.

Figure 1: Conceptual Framework of the Study



Source: Author, Referring from different literatures (2026).

2.4. Research Hypotheses

Based on the background of the above stated problem statement, the study sought to answer the following questions:

H1: Economic factors have a positive and significant effect on financial investment activities.

H2: Financial factors have a positive and significant effect on financial investment activities.

H3: Social factors have a positive and significant effect on financial investment activities.

H4: Political factors have a positive and significant effect on financial investment activities.

H5: Environmental factors have a positive and significant effect on financial investment activities.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter provides the research design methodologies that are used in order to achieve the research objective. The research design, population and sampling techniques, types of data and instruments of data collection, procedure of data collection, methods of data analysis, and finally the ethical consideration are the areas presented in this chapter.

3.1. Research Approach

In order to achieve the study objectives, the research adopted quantitative method of research approach. According to Leedy (1993), quantitative research is impersonally experimental, manipulating variables and controlling natural phenomena, by constructing hypotheses and testing them against the hard facts of reality. The quantitative approach assists the reader to comprehend improved as it delivers numerical data that can be observed and associated (Tashakkori and Teddlie, 2003)

3.2. Research Design

This study used both descriptive and explanatory research design which was chosen considering the purpose of the study, the research questions and the magnitude of the target population.

According to Kothari (2004), Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the

state of affairs as it exists at present. The object of descriptive research is to portray an accurate profile of persons, events or situations. When the purpose of the study is to answer who, what, where, how much and how many questions similar to the questions raised in this research, using descriptive type research was a typical choice (Saundres et al., 2009).

This has helped in the describing the topic at hand very clearly through the use of close and open ended questionnaires. Exploratory research studies are also termed as formulate research studies. The main purpose of such studies is that of formulating a problem for more precise investigation or of developing the working hypotheses from an operational point of view (Kothari, 2004).

3.3. Target Population

The target population for this study focuses on gathering insights from nine experienced investment advisors from each of the eight selected private investment advisory firms operating in Ethiopia.

This study included respondents from carefully selected firms namely: Bridge Investment Consultancy, NEXUS Investment Solution PLC, Grant Thornton Ethiopia, Rise Addis Advisory, Pragma Investment Advisory, ACE Investment & Impact Advisors, Ibex Frontier LLC, and HST Consulting PLC. The respondents primarily consisted of mid-to-senior-level professionals, including investment analysts, advisory managers, and senior consultants who were directly involved in financial investment decision-making processes.

To ensure a well-versed view, at least one senior executive or partner from each firm was also included in the selected respondents. With nine respondents from each of the eight firms, the study engaged a total of 72 (seventy two) investment advisor professionals as its target population of the study. The study excluded banks and ECMA-regulated entities so as to maintain focus on independent investment advisory standpoints.

Investment advisors were selected as the target population because of their professional involvement in investment analysis, advisory services, and investor engagement. Through their interactions with various investors and businesses, advisors possess broad knowledge regarding the economic, financial, political, socio-cultural, and environmental factors that influence investment decisions. Their insights provide a comprehensive understanding of investment activities beyond individual investor experiences.

3.4. Sampling Techniques

This study employed a non-probability, purposive sampling technique. The key selection criteria include employment at one of the eight identified advisory firms which have a direct involvement in financial investment activities; a professional role at the mid-to-senior level, such as investment analyst or advisory manager.

The study used a quota of nine qualified respondents were purposively selected from each of the eight firms, resulting in a total sample size of 72 investment advisor professionals. This structured purposive approach safeguards the sample comprises information-rich cases, provides a diverse perspective on the advisory process. Indeed, this guarantees that insights are drawn from the professionals most knowledgeable about the research problem.

3.5. Data Sources and Types

In order to achieve the study's objectives both primary and secondary source of data was used. The study primary data were collected unswervingly from professional investment advisors. Structured questionnaires were used to gather first hand insights tailored to the research objectives, ensuring the data's relevance and specificity. Furthermore, secondary data was obtained from academic journals, and online resources to provide supplementary context and support for the findings. These secondary sources heightened the depth of the analysis by offering broader outlooks and validating the primary data collected.

3.6. Method of Data Analysis

The study used both Descriptive and Inferential analysis. In order to analyse the quantitative data obtained through questionnaire, first the data was tabulated, analysed and interpreted by using the appropriate statistical tools (descriptive statistics) like; frequencies, and mean supported by SPSS software. Correspondingly, inferential analysis was also used to determine the relationship between independent variable which is factors affecting financial investment activities.

The research used SPSS version 26 software, to analyse the quantitative data collected from the questionnaire. The data analysis involves both descriptive and inferential statistics. The study used a model which is tested by Linearity Test, Homoscedasticity Test, Multicollinearity Test, Normality Test and Independent of Residuals. The following linear regression equation was used for this study.

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \varepsilon$$

Where:

- Y is the Financial investment activities,
- α = α is the regression constant,
- β 1 = slope (regression coefficient) for variable X1,
- β 2 = slope for variable X2,
- β 3 = slope for variable X3,
- β 4 = slope for variable X4,
- X_1 = Economic factors ('GDP growth, inflation, interest rates')
- X_2 = Financial factors ('market liquidity, stock performance, credit availability')
- X_3 = Social factors ('demographic trends, consumer confidence, workforce stability')
- X_4 = Political factors ('government policies, regulatory stability, geopolitical risks')
- X_5 = Environmental factors ('climate risks, sustainability regulations, ESG compliance'')
- ε= error (or residual) value.

Generally, the co-efficient was found using the SPSS 26 version and further result showed in the data analysis part of study.

3.7. Reliability and Validity

According to Mooi and Sarstedt, (2011) Reliability is the degree to which what researchers measure is free from random error and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error.

To improve the clarity and responsiveness of the questionnaire, before the actual data collection the researcher distributed 20 questionnaires for non-sampled staff as a pilot test. Then, after actual data collection Cronbach Alpha reliability statistics was used to check reliability of the instruments and the coefficient of the reliability of Alpha.

Validity refers to whether we are measuring or what we want to measure (Mooi and Sarstedt 2011). It is related to research methodology because its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of any given study (Marczyk et al. 2005).

To protect the issue of validity the researcher followed scientific research procedures, every data collected from appropriate information providers and the collected data was measured by appropriate data analysis tools. Further, different theories and empirical studies were assessed to assure its validity.

Table 1: Reliability Test Result

Construct	Number of Items	Cronbach's Alpha (α)
Financial Factors	5	0.717
Economic Factors	6	0.767
Political Factors	6	0.81
Financial Investment Activities	6	0.708
Socio-Cultural Factors	5	0.88
Environmental Factors	6	0.722
Overall Instrument	**34**	**0.767**

Source: SPSS result of Survey Data, (2026).

As Tavakol (2001) stated that, there are different reports about the acceptable values of alpha, ranging from 0.717 to 0.810. Hence, the Cronbach‘s alpha coefficient of all the above variables was fall within the stated range and concluded that there is consistency among each question in the questionnaire.

3.8. Ethical Considerations

It could not be ethical to access some confidential documents of the organization. Therefore, the organization’s code of ethics was taken in to account without significantly compromising findings of the study.

A policy of secrecy for the employees and managers were adhered as various confidential data was accessed by the researcher.

The respondents were informed to not include their name, address, branch working-in in order to make sure they don't have any doubts on their identities being exposed so it can help in getting the required and honest information.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter discusses all the analysis undertaken with the data collected using SPSS data. Both descriptive and inferential techniques of data analysis are employed to see characteristics of the sample and also identify and discuss the relationship between the independent and dependent variables.

4.1. Response Rate

To answer those research questions and to meet the main objectives of the research 72 questionnaires were prepared and distributed to the respondents. Out of these 72 questionnaires 72 were collected which is 100% response rate.

The response rates of 50% are considered adequate, 60% are good, and above 70% are regarded as very good. Based on these benchmarks, the response rate achieved in this study is considered very well (Mulugeta, 2009).

Table 2: Response Rate

Description	Respondents
Sample size	72
Questionnaire Distributed	72
Questionnaire Returned	72
Response Rate (%)	100%
Usable Response	72

Source: SPSS result of Survey Data, (2026).

4.2. Demographic Characteristics of Respondents

The demographic characteristics include: Sex of respondents, work experience, educational background, current position, marital status, number of years as investment advisor. This aspect of the analysis deals with the personal data of respondents. The table below shows the details of background information of the respondents.

Table 3: Demographic characteristics of respondents

No	Variable	Category	Frequency	Percent
1	Sex of respondents	Male	54	75
		Female	18	25
		Total	72	100
2	Age of respondents	18-30	3	4.2
		31-40	21	29.2
		41-50	26	36.1
		50 years and above	22	30.6
		Total	72	100
3	Educational Background	Bachelor Degree	20	27.8
		Master's Degree	43	59.7
		Above Master's Degree	9	12.5
		Total	72	100
4	Marital Status	Single	12	16.7
		Married	58	80.6
		Divorced	2	2.8
		Total	72	100
5	Number of Years as Investment Advisor	Below 2 Years	6	8.3
		2-5 Years	11	15.3
		Above 5 Years	55	76.4
		Total	72	100

Source: SPSS result of Survey Data, (2026).

As it is shown in the table 3, majority of respondents which are 54 (75%) were male the remaining 18 (25 %) were female.

With regard to age the majority of the respondents are found in the age category of between 41-50 years which are 26 (36.1%) of the respondents. The second major group of respondents

found in the age category of above 50 years which are 22 (30.6%) of the respondents and the third age category found that in the age group of above 46 years which is 21 (29.2%) of the respondents. Finally the remaining small proportion shows that they were in the age range category of 18-30 years which are 3(4.2%). This implies that majority of respondents are young which is between Above 30 years old, and may indicate that the respondents are composed of adult workforce with a capability to bring the desired better factors affecting financial investment activities.

Regarding work Experience the majority of the respondents have between 4-5 Years' experiences which are 73 (38.4%). The second major group of respondents found between 6-10 Years which are 47 (24.7%) of the respondents, the third category found in 2-3years that of 43 (22.6 %) and 14 (7.4%) of the respondents have more than 10 years' experience. Finally the remaining small years of experience less than 2 Year which is 13 (6.8%). It is believed that employees are well experienced and have a sound knowledge about their organization factors affecting financial investment activities that is required for the study.

The distribution of educational level of the respondents has been presented in the above table. Majority of respondents i.e. 42 (59.7%) achieved Master's Degree. And 20 (27.8%) of the respondents achieved Bachelor Degree. The rest 9 (12.9%) holds above Master's Degree. This indicates all the respondents have at least BA and master's degree; this would have the required capability to effectively respond to the questions provided in the questionnaire.

With respect to Marital Status 58(80.6%) of respondents are married. Moreover, 55 (76.4%) of respondents are above 5 Years as Investment Advisor. This indicates that good career related experience.

Generally, the overall demographic characteristics of the respondents show that the sampled employees had adequate exposure in the area of the study that justifies the reliability of the source information used for the purpose of the study.

4.3. Descriptive Analysis

In order to see the general perception of the respondents regarding the selected organizational culture in the subject organization, the researcher has summarized the measures with the respective means and standard deviations. Descriptive statistical analysis is used using mean and standard deviation for each independent and dependent variable in order to indicate the sample group averagely agrees or does not agree with the different statements whereas standard deviation shows the variability of an observed response from a single sample.

All the questions related with both the dependent and independent variables of this research were prepared using a five-point Likert scale in the form of ordinal scale. All the questions related with both the dependent and independent variables of this research were prepared using a five point Likert scale in the form of ordinal scale. According to Zaidation and Bagheri (2009), the mean score below 3.39 is considered as low, the mean score from 3.40 up to 3.79 is considered as moderate and mean score above 3.8 is considered as high.

4.3.1. Economic factors

Table 4: Economic factors

S / N	Descriptive Statistics	N	Mean	Std. Deviation
1	In my professional judgment, the availability of sufficient capital is a primary driver of my customers' investment decisions.	72	2.85	1.684
2	Based on my experience, a rapid pace of economic development is a strong motivator for me to advise customers to increase their investment activities.	72	2.88	1.627
3	I have consistently observed that strong regional economic growth is a magnet for attracting my customers' investments.	72	3.33	1.808
4	From my perspective, robust economic performance is a non-negotiable foundation for identifying viable investment opportunities.	72	3.25	1.821
5	I find that customers with greater financial capacity are invariably more active and engaged in their investment behavior.	72	3.17	1.728
6	In my view, investing in prosperous local communities generally creates more favorable and lower-risk conditions for my customers.	72	3.04	1.788
	Average mean of Economic factors		**3.09**	**1.743**

Source: SPSS result of Survey Data, (2026).

The above table discusses respondents' level of agreement and disagreement regarding the first independent variable which is economic factors. The statement, "*In my professional judgment, the availability of sufficient capital is a primary driver of my customers' investment decisions*." received the lowest mean score (M = 2.85, SD = 1.684), which implies that the average number of respondents generally disagree (low) with the importance of sufficient capital in encouraging investment decision.

In contrast, the statement, “I have consistently observed that strong regional economic growth is a magnet for attracting my customers' investments" recorded the highest mean score (M = 3.33, SD = 1.808), which also implies that respondents generally disagree (low) with the importance of strong regional economic growth is a magnet for attracting my customers' investments. The overall mean score of 3.09 and standard deviation of 1.743 indicate implies that the average numbers of respondents a low level of agreement on the contribution of ‘economic factors’ to ‘financial investment activities’ (Zaidation and Bagheri, 2009).

4.3.2. Political factors

Table 5: Political factors

S/N	Descriptive Statistics	N	Mean	Std. Deviation
1	I firmly believe that good governance is a critical factor that encourages and sustains my customers' investment decisions.	72	3.25	1.319
2	In my experience, dealing with efficient, streamlined bureaucratic procedures significantly promotes investment activity among my customers.	72	3.65	1.09
3	I hold the opinion that a government environment perceived as free from corruption is highly attractive to the investors I advise.	72	3.35	1.14
4	From my professional viewpoint, strong and reliable political institutions are fundamental to fostering investment growth.	72	3.51	1.267
5	I consider the quality of a country's political institutions to be a major determinant of the positive or negative investment trends I see among my customers.	72	3.50	1.151
6	In my assessment, political stability is perhaps the most crucial factor for ensuring the long-term success of my customers' investments.	72	3.29	1.156
	Average mean of Political factors		**3.43**	**1.187**

Source: SPSS result of Survey Data, (2026).

The above table discusses respondents' level of agreement and disagreement regarding the second independent variable which is ‘political factors’. The statement, “*In my assessment, political stability is perhaps the most crucial factor for ensuring the long-term success of my customers' investments*" received the lowest mean score (M = 3.29, SD = 1.156), which implies that the average number of respondents generally disagree (low level agreement) with the importance of political stability is as a vital factor for ensuring the long-term success of investments.

In contrast, the statement, "*In my experience, dealing with efficient, streamlined bureaucratic procedures significantly promotes investment activity among my customers*" recorded the highest mean score (M = 3.65, SD = 1.09), which also implies that the average number of respondents moderately agree with the importance of streamlined bureaucratic procedures significantly promotes investment activity among customers. The overall mean score of 3.43 and standard deviation of 1.187 indicate a moderate level of agreement on the contribution of 'political factors' to 'financial investment activities' (Zaidation and Bagheri, 2009).

4.3.3. Socio-cultural factors

Table 6: Socio-cultural factors

S / N	Descriptive Statistics	N	Mean	Std. Deviation
1	I have found that cultural practices within a community that support business can significantly encourage my customers' investment decisions.	72	3.69	1.241
2	Based on my advisory work, I see that social norms which celebrate entrepreneurship positively shape my customers' investment behaviors.	72	3.44	1.124
3	I observe that a community known for its strong work ethic and productive culture is more successful in attracting my customers' investments.	72	2.68	1.059
4	From my perspective, a positive and ethical corporate culture within local businesses makes an investment proposition much more compelling.	72	2.74	1.126
5	I believe that business-friendly customs and traditions in a society contribute to healthier and more sustainable investment patterns for my customers.	72	3.00	1.222
	Average mean of Socio-cultural factors		**3.11**	**1.154**

Source: SPSS result of Survey Data, (2026).

The above table discusses respondents' level of agreement and disagreement regarding the third independent variable which is 'socio-cultural factors'. The statement, "*I observe that a community known for its strong work ethic and productive culture is more successful in attracting my customers' investments.*" received the lowest mean score (M = 2.68, SD = 1.059), which implies that the average number of respondents generally disagree (low level agreement) with the statement that community known for its strong work ethic and productive culture is more successful in attracting my customers' investments.

In contrast, the statement, "*I have found that cultural practices within a community that support business can significantly encourage my customers' investment decisions.*" recorded the highest mean score (M = 3.69, SD = 1.241), which also implies that the average number of respondents moderately agree with the importance of cultural practices within a community that support business can significantly encourage customers' investment decisions. The overall mean score of 3.11 and standard deviation of 1.154 indicate a low level of agreement (disagreement) on the contribution of 'Socio-cultural factors' to 'financial investment activities' (Zaidation and Bagheri, 2009).

4.3.4. Environmental factors

Table 7: Environmental factors

S/N	Descriptive Statistics	N	Mean	Std. Dev.
1	In my view, the availability of natural resources and quality infrastructure directly increases the investment potential I see for my customers in a region.	72	2.39	1.082
2	I consider a high level of human capital development skilled and educated workers to be a key factor in attracting investments to the areas I evaluate.	72	2.46	1.138
3	From my experience, an overall business climate that is perceived as favorable is a major draw for my customers' investment capital.	72	2.33	1.061
4	I have noticed that the specific socio-cultural conditions of a locality have a tangible impact on the performance of my customers' investments.	72	3.36	1.293
5	In my opinion, a region's capacity for technological advancement and innovation is a strong positive influence on my customers' investment choices.	72	3.26	1.187
6	I find that favorable geographic characteristics, such as a strategic location or a mild climate, can significantly enhance the long-term viability of an investment.	72	3.49	1.245
	Average mean of Environmental factors		**2.88**	**1.168**

Source: SPSS result of Survey Data, (2026).

The above table discusses respondents' level of agreement and disagreement regarding the fourth independent variable which is 'environmental factors'. The statement, "*From my experience, an overall business climate that is perceived as favourable is a major draw for my customers' investment capital.*" received the lowest mean score (M = 2.33, SD = 1.061), which implies that the average number of respondents generally disagree (low level agreement) with the statement that overall business climate that is perceived as favourable is a major draw for customers' investment capital.

In contrast, the statement, "*I find that favorable geographic characteristics, such as a strategic location or a mild climate, can significantly enhance the long-term viability of an investment.*" recorded the highest mean score (M = 3.49, SD = 1.245), which also implies that the average number of respondents moderately agree with the importance of favorable geographic characteristics, such as a strategic location or a mild climate, can significantly enhance the long-term viability of an investment. The overall mean score of 2.88 and standard deviation of 1.168 indicate a low level of agreement (disagreement) on the contribution of 'Environmental factors' to 'financial investment activities' (Zaidation and Bagheri, 2009).

4.3.5. Financial factors

Table 8: Financial factors

S / N	Descriptive Statistics	N	Mean	Std. Deviation
1	I believe that easy access to personal capital is fundamental to expanding the range of investment opportunities available to my customers.	72	2.92	1.371
2	In my experience, directing investment funds towards productive and growing sectors is essential for maintaining healthy investment returns.	72	3.17	1.364
3	I find that a macroeconomic environment with stable and low interest rates creates ideal conditions for my customers to make investment decisions.	72	3.25	1.253
4	From my viewpoint, sound financial structuring and planning are crucial for achieving positive investment performance.	72	2.90	1.396
5	I observe that stability in global financial markets fosters a sense of confidence and a conducive environment for my customers' cross-border or export-oriented investments.	72	3.15	1.498
	Average mean of Financial factors		**3.08**	**1.376**

Source: SPSS result of Survey Data, (2026).

The above table discusses respondents' level of agreement and disagreement regarding the last independent variable which is 'Financial factors'. The statement, "*From my viewpoint, sound financial structuring and planning are crucial for achieving positive investment performance.*" received the lowest mean score (M = 2.90, SD = 1.396), which implies that the average number of respondents generally disagree (low level agreement) with the statement that sound financial structuring and planning are crucial for achieving positive investment performance..

In contrast, the statement, "*I find that a macroeconomic environment with stable and low interest rates creates ideal conditions for my customers to make investment decisions.*" recorded the highest mean score (M = 3.25, SD = 1.253), which also implies that the average number of respondents moderately agree with the importance of macroeconomic environment with stable and low interest rates creates ideal conditions for my customers to make investment decisions.

The overall mean score of 3.08 and standard deviation of 1.376 indicate a low level of agreement (disagreement) on the contribution of 'financial factors' to 'Financial investment activities' (Zaidation and Bagheri, 2009).

4.3.5. Financial investment activities

Table 9: Financial investment activities

S/ N	Descriptive Statistics	N	Mean	Std. Dev.
1	I find that when customers have good access to personal savings, it makes the entire investment process easier and more accessible.	72	3.13	0.887
2	In my experience, periods of low-interest rates directly encourage both my-self and my customers to consider borrowing as a strategy for investment.	72	3.22	0.791
3	I believe that a stable and predictable stock market greatly increases my confidence, and that of my customers, in making equity investments.	72	3.49	1.061
4	From my perspective, government tax incentives, like exemptions on capital gains, are effective tools for promoting investment activity.	72	3.67	1.048
5	I see that easy access to credit and business loans is a key enabler for investment growth among the entrepreneurs and businesses I advise.	72	3.79	0.887
6	In my opinion, participating in or recommending financial literacy programs helps both advisors and customers make wiser and more informed investment decisions.	72	3.50	1.1133
	Financial investment activities		**3.47**	**0.965**

Source: SPSS result of Survey Data, (2026).

The above table discusses respondents' level of agreement and disagreement regarding the dependent variable which is 'financial investment activities'. The statement, "*I find that when customers have good access to personal savings, it makes the entire investment process easier and more accessible.*" received the lowest mean score (M = 3.13, SD = 1.887), which implies that the average number of respondents generally disagree (low level agreement) with

the statement that customers have good access to personal savings, it makes the entire investment process easier and more accessible. In contrast, the statement, "*I see that easy access to credit and business loans is a key enabler for investment growth among the entrepreneurs and businesses I advise.*" recorded the highest mean score (M = 3.79, SD = 1.887), which also implies that the average number of respondents moderately agree with the importance of macroeconomic environment with stable and low interest rates creates ideal conditions for my customers to make investment decisions. The overall mean score of 3.47 and standard deviation of 1.965 indicate a moderate level of agreement on the contribution of financial investment activities (Zaidation and Bagheri, 2009).

4.4. Correlation of the dependent and independent variables

Marczyk, Dematteo & Festinger, (2005) describes correlations as the most basic and most useful measure of association between two or more variables. Correlations of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered large, and correlations of .90 to 1.00 are considered very large (Marczyk, Dematteo & Festinger, 2005).

Accordingly, the below Pearson correlation coefficients shows that the four factors measuring factors affecting financial investment activities were all positively related with financial investment activities within the range of 0.246 to 0.706, all were significant at p< 0.01 level. All the independent variables show a positive relation with the dependent variable (financial investment activities).

Table 10: Correlations between the dependent and independent variables

Correlations		Economic Factors	Political Factors	Socio-Cultural Factors	Environmental Factors	Financial Factors	Financial Investment Activities
Economic Factors	Pearson Correlation	1	0.163	0.066	-0.026	-0.07	.246*
Political Factors	Pearson Correlation	0.163	1	.325**	.292*	.358**	.706**
Socio-Cultural Factors	Pearson Correlation	0.066	.325**	1	.459**	0.178	.539**
Environmental Factors	Pearson Correlation	-0.026	.292*	.459**	1	0.18	.535**
Financial Factors	Pearson Correlation	-0.07	.358**	0.178	0.18	1	.523**
Financial Investment Activities	Pearson Correlation	**.246***	**.706****	**.539****	**.535****	**.523****	**1**
	Sig. (2-tailed)	0.037	0.000	0.000	0.000	0.000	

	N	72	72	72	72	72	72
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: SPSS result of Survey Data, (2026).

Correlation results presented in Table 10 show that: There is significant positive relation between Economic Factors and financial investment activities (sig=.037, r= .246) which, is between 0.01 to 0.30 are considered small level correlations. However, there is significant positive relation between political factors and financial investment activities (sig=.000, r= .706) which is between correlations of .70 to .90 are considered largely correlated.

Additionally, there is significant positive relation between socio-cultural factors and financial investment activities (sig=.000, r=. 539) which is between .30 and .70 considered as moderately correlated. Moreover, there is significant positive relation between environmental factors and financial investment activities (sig=.000, r=.535) which is between .30 and .70 considered as moderately correlated. Finally, there is significant positive relation between financial factors and financial investment activities (sig=.000, r=.523) which is between .30 and .70 considered as moderately correlated.

From the analysis, it is noted that explanatory variables are positively correlated with financial investment activities. With regard to the direction of the relationship both variables have a positive sign that dictates a positive change in the independent variable can result in a positive change in the dependent variables. When we assess the level of significance, there is significant relationship between the independent variable and dependent variable. This is witnessed by p values and p = 0.01 level (2 tailed).

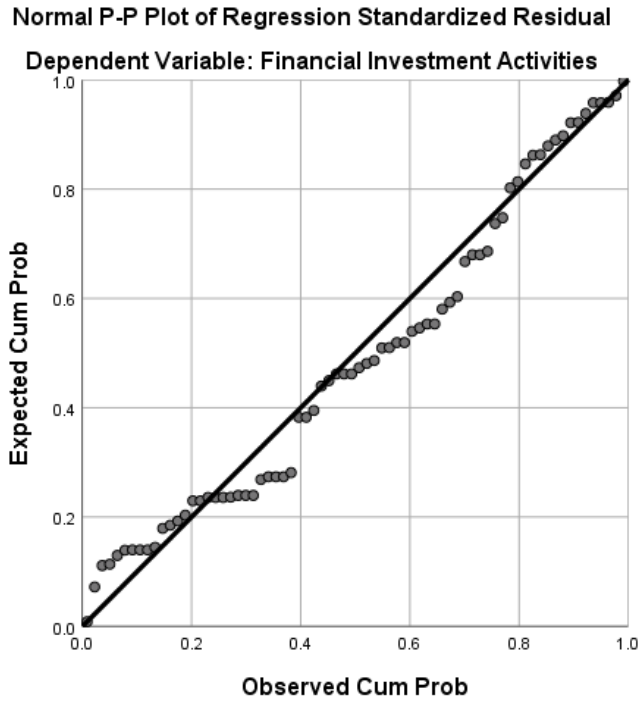
4.5. Testing the assumptions of Regression model

In order to estimate estimates the coefficient of determination on the predicted one explained by the predictors the study used multiple linear regression. To get a valid multiple regressions analysis, several key assumptions should be satisfied. The key assumptions of Multiple Regression that are identified as primary concern in the research include: linearity, independence of errors, Homoscedasticity, normality, and multicollinearity. For this study; each assumption were defined and assumptions were tested and the results of these assumptions was briefly summarized and presented below.

Assumption 1: Linearity (The relationship between the Independent Variables and the Dependent Variable is linear)

Some researchers argue that this assumption is the most important as it directly relates to the bias of the results of the whole analysis (Keith, 2006). Multiple regressions assume a linear relationship between the independent and dependent variables. The bivariate plot of the predicted value against residuals can help us infer whether the relationship of the predictors to the outcome is linear.

Figure 2: Testing the linearity of dependent and independent variables



Source: SPSS result of Survey Data, (2026).

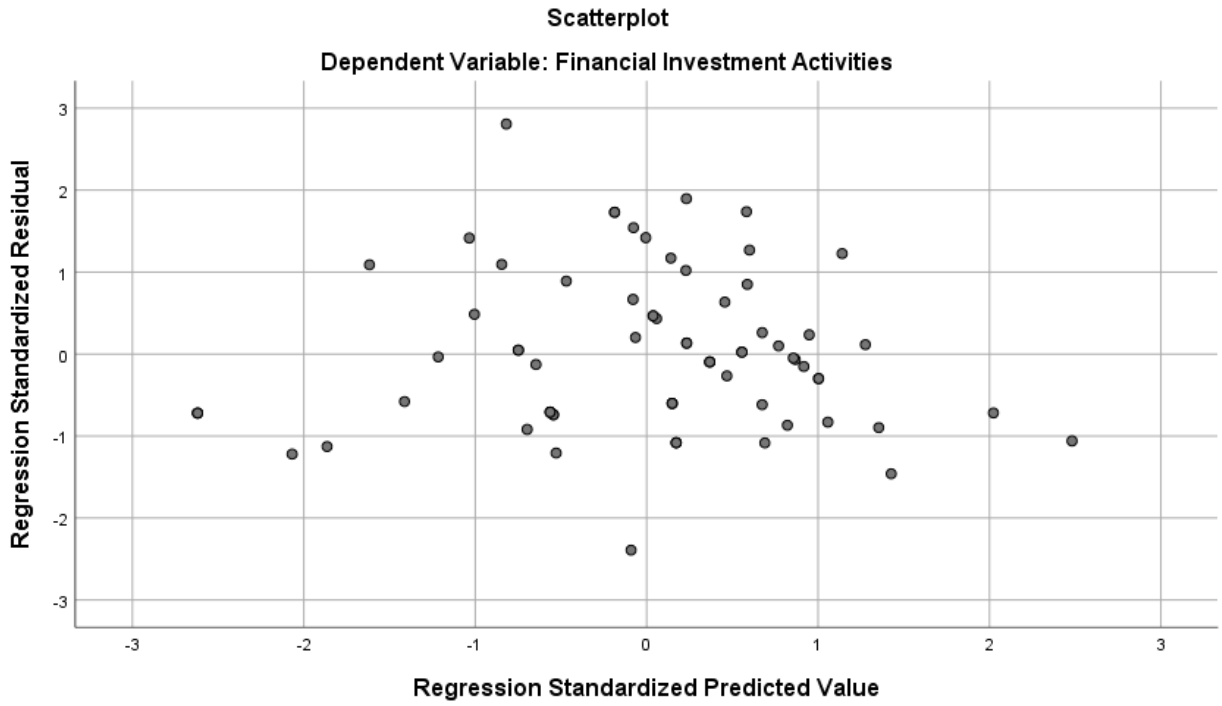
Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable (Financial Investment Activities) and the independent variables; financial factors, economic factors, environmental factors, political factors, socio-cultural factors is linear; plots of the regression residuals through SPSS software had been used. Therefore, figure 1 showed the existence of linear relationship between the outcome variable and the independent variables (Wooldridge, 2016).

Assumption 2: Homoscedasticity

According to Gujarati and Porter (2009), the assumption of Homoscedasticity refers to equal variance of errors across all levels of the independent variables. Ideally, residuals are randomly scattered around 0 (the horizontal line) providing a relatively even distribution. This means that researchers assume that errors are spread out consistently between the variables (Wooldridge, 2016).

As depicted in the figure below, the spread of the residuals were fairly constant at each point of the predictor variables (or across the linear model).

Figure 3: Scatter plot of Homoscedasticity



Source: SPSS result of Survey Data, (2026).

Assumption 3: Multicollinearity Tests

According to Gujarati and Porter (2009), Multicollinearity is the assessment of "the extent to which a variable can be explained by the other variables in the analysis". It is a problem related to the correlation matrix in which three or more independent variables are highly correlated (i.e. 0.90 or above) to each other (Wooldridge, 2016).

The presence of a higher level of multicollinearity results in lowering the unique variance explained by each independent variable (β-value) and increases the shared prediction percentage. This means that the presence of multicollinearity limits the size of regression

value and makes it difficult to understand the contribution of each individual independent variable. There are two common methods to detect multicollinearity; firstly, by inspecting the bivariate and multivariate correlation matrix and, secondly, by calculating the variance inflation factors (VIF) and tolerance impact. Tolerance is "an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model, whereas VIF is the inverse of the tolerance effect". The larger the VIF (i.e. above 10) and the lower the tolerance (i.e. below 0.1) indicate the presence of multicollinearity (Hair, et al., 2010).

Table 11: Correlation Matrix (Only Independent Variables)

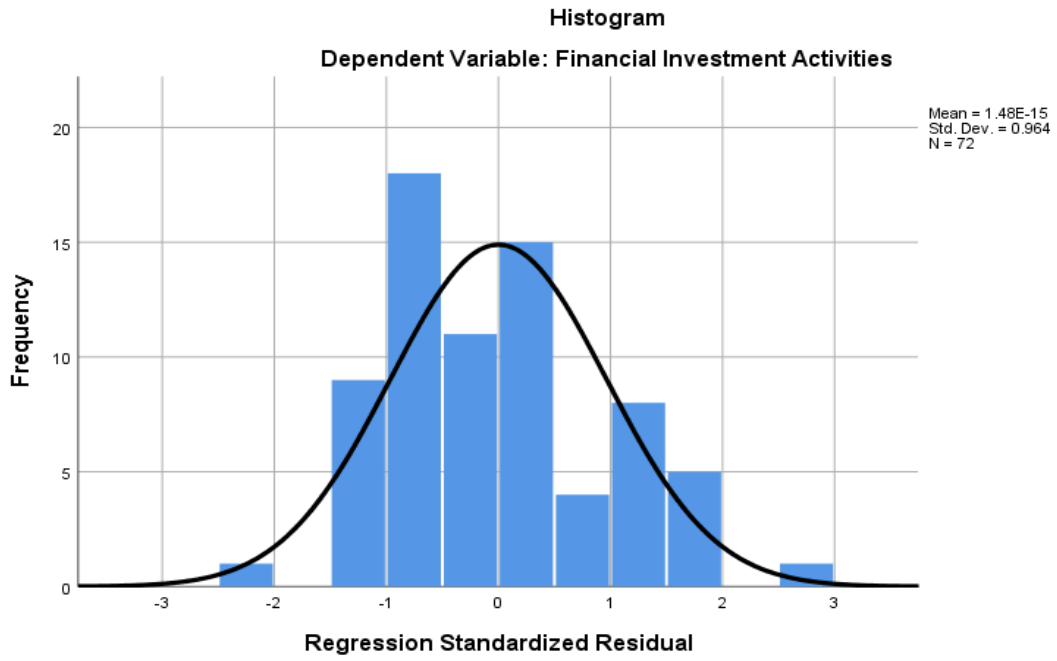
Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Economic Factors	.947	1.056
	Political Factors	.754	1.325
	Socio-Cultural Factors	.746	1.340
	Environmental Factors	.758	1.318
	Financial Factors	.848	1.179
a. Dependent Variable: Financial Investment Activities			

Source: SPSS result of Survey Data, (2026).

In the present study, bivariate correlation matrix was computed using Pearson's correlation. The results of the correlation matrix presented in Table 11 suggested that none of the bivariate correlation was above 0.90 for independent variables. The VIF and tolerance effect were computed using multiple regression procedure with collinearity diagnostic option, as shown in Table 11. The VIF values were less than 10, which revealed the absence of multicollinearity with independent variables, while the tolerance showed values of above 0.1.Hence, the researcher assumed Multicollinearity was not a problem (Wooldridge, 2016).

Assumption 4: Normality Test

Figure 4: Frequency Distribution of Standardized Residual



Source: SPSS result of Survey Data, (2026).

Histograms are bar graphs of the residuals with a superimposed normal curve that showed distribution. Figure 4 shows the frequency distribution of the standardized residuals compared to a normal distribution. As you can see, although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

Assumption 5: Independent of Residuals

This is basically the same as saying that the observations (individual data points) to be independent from one another (uncorrelated). The Durbin-Watson statistic is used to test for independence of residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson value is approximately closer to 2, and values below 1 and above 3 are causes for concern and may render the analysis invalid.

Table 12: Independent Residual Assumption

Model Summary[b]

Model	Durbin-Watson
1	1.638[a]
a. Predictors: (Constant), Financial Factors, Economic Factors, Environmental Factors, Political Factors, Socio-Cultural Factors	
b. Dependent Variable: Financial Investment Activities	

Source: SPSS result of Survey Data, (2026).

In this case the Durbin-Watson statistics showed (Durbin-Watson = 1.638a). Hence, the result falls between 1 and 3, the researcher assumed independence of residuals assumption is satisfied. In conclusion, from an examination of the information presented in all the three tests the researcher conclude that there are no significant data problems that would lead to say the assumptions of classical linear regression have been seriously violated (Field, 2006).

4.6. Regression Analysis

Regression analysis is a systematic method that can be used to investigate the effect of one or more predictor variables on dependent variable. Regression analysis helps in order to measure the relative strength of independent variable on dependent variable.

In order to see contribution each explanatory variable factors effect on the dependent variable which is financial investment activities, standard multiple regression analysis was employed. The regression model presents how much of the variance in financial investment activities is explained by the selected factors affecting financial investment activities variables: financial factors, economic factors, environmental factors, political factors, socio-cultural factors.

Table 13: Regression analyses of respondents

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.870[a]	.758	.739	.37894
a. Predictors: (Constant), Financial Factors, Economic Factors, Environmental Factors, Political Factors, Socio-Cultural Factors				

Source: SPSS result of Survey Data, (2026).

Multiple linear regressions are the most common form of the regression analysis. In order to see contribution each factors affecting financial investment activities traits on financial investment activities, standard multiple regression analysis was employed. The regression model presents how much of the variance in financial investment activities is explained by

the selected factors affecting financial investment activities traits: financial factors, economic factors, environmental factors, political factors, socio-cultural factors.

As shown on the table 13, R-value is 0.870, which implies that financial investment activities had a moderate relationship with the independent variables of the study and this is because the value falls greater than 0.70 (Pallant, 2011). The value was also positive indicating that, when the independent variables increase dependent variable also increases and vice versa.

Again the table 13 Indicates that R^2R^2 = 0.758 which is the correlation between the dependent and independent variable of the study. R^2R^2 Also called the squared multiple correlation coefficient or the coefficient of determination, since $(R)^2(R)^2$ = $(0.870)^2$ = 0.7569, which rounds to 0.758. Hence, this implies that the total variation in the dependent variable (Financial investment activities) is explained or caused by 75.8% of the change (increase) in all independent variables: financial factors, economic factors, environmental factors, political factors, socio-cultural factors. In other words, 24.2% of the variation in financial investment activities cannot be explained by these four independent variables. Therefore, there must be other factors that are not incorporated in the model to explain Financial investment activities. These other factors leave for future researcher.

Adjusted R-square shows the generalization of the results i.e. the variation of the sample results from the population in multiple regression. It is required to have a difference between R-square and Adjusted R-square minimum. In this case, based on table 13 the value of Adjusted R-square is 0.739, which is not far off from 0.758.

The ANOVA table 4.7. below tells about the story of how the regression equation accounts for variability in the response variable, which is the dependent variable "*Financial investment activities*" for this study due to a change in the independent variables ('*Financial Factors, Economic Factors, Environmental Factors, Political Factors, Socio-Cultural Factors'*).

Table 14: Analysis of Variance (ANOVA)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.630	5	5.926	41.269	.000[b]
	Residual	9.477	66	.144		
	Total	39.108	71			
a. Dependent Variable: Financial Investment Activities						

b. Predictors: (Constant), Financial Factors, Economic Factors, Environmental Factors, Political Factors, Socio-Cultural Factors

Source: SPSS result of Survey Data, (2026).

The main objective of the above ANOVA test is to show whether the model is significantly better at predicting the dependent variable or using the means. In the above ANOVA table, the column labelled "sum of squares" describes the variability in the factors affecting financial investment activities value of the regression. The Regression Sum of Squares is the difference between Total Sum of Squares and Residual Sum of Squares (TSS-RSS = 39.108- 9.477= 29.630). The total degrees of freedom is n-1 (72 - 1 = 71), one less than the number of observations.

The Regression degree of freedom of table 14 is 5, which is the number of independent variables ('*financial factors, economic factors, environmental factors, political factors, socio-cultural factors'*) in the model of this thesis. The residual sum of squares has 66 degrees of freedom (71 - 5).

The mean squares are the sums of squares divided by the corresponding degrees of freedom. The regression model of the study has a mean square of 5.926 which is (29.630/ 5) and the residual's mean square is .144 which is (9.477/66).

The above ANOVA table indicates the strong relationship between the dependent and independent variables of the study with F-statistic or F-ratio of 41.269 and is worth mentioning that the F-value is highly significant (as p =.000 which is less than .05). Therefore from the above analyses one can conclude that the relationship between the dependent variable and the independent variables is very strong.

Table 15: Multiple Regression Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.176	.238		.739	.462
	Economic Factors	.088	.029	.192	3.077	.003
	Political Factors	.351	.058	.420	6.016	.000
	Socio-Cultural Factors	.182	.060	.215	3.064	.003
	Environmental Factors	.248	.065	.265	3.808	.000
	Financial Factors	.173	.038	.300	4.561	.000
a. Dependent Variable: Financial Investment Activities						

Source: SPSS result of Survey Data, (2026).

The above table shows the extent to which each independent variables influence the dependent variable. The relative importance of (independent variables) in contributing to the variance of the (dependent variable) is explained by the standardized beta coefficient. The beta value is positive that means a higher positive effect of factors affecting financial investment activities associated with higher financial investment activities.

The Sig. value should be below the tolerable level of significance for the study i.e. below 0.05 for 95% confidence interval in this study. The coefficients are significant and therefore the multiple regression equation would be:

Y= 0.176+ 0.192X1 + 0.420X2 + 0.215X3+ 0.265X4+0.300X5+0.238

Based on the above table using "β" value (standardized) coefficients, the regression result is discussed as follows:

This regression result has its own interpretation to this study. Accordingly, the regression constant value showed that when the independent variables are constant at zero, the financial investment activities would be at beta value of 0.176.

From the above table of Coefficients' on Multiple Regressions, the first independent variable that is Economic Factors has 0.196 effects on financial investment activities. Findings reveal that Economic Factors is found to be positively related and statistically significant at 1% significant level. This implies that a 1% increase in Economic Factors will result in a 19.6% increase in financial investment activities.

The second independent variable regression coefficient explain that Political Factors was positively related to effective factors affecting financial investment activities and statistically significant at 1% significant level with (β=0.420) which implies that a 1% increase in Communication will cause in an 42.0 % increase in financial investment activities.

The other factors affecting financial investment activities variable, socio-cultural factors was positively related to effectiveness factors affecting financial investment activities systems with (β=0.215) and also implies that a 1% increase in Trust will cause 21.5% in financial investment activities .

The fourth regression coefficient findings reveal that, environmental factors was positively related to effectiveness factors affecting financial investment activities with (β=0.265) and

implies that a 1% increase in Fairness will bring about an increase of 26.5% in financial investment activities.

The final regression coefficient findings reveal that, financial factors was positively related to effectiveness factors affecting financial investment activities with (β=0.300) and implies that a 1% increase in Fairness will bring about an increase of 30.0% in financial investment activities.

Furthermore, there are several researches in the past which have highlighted similar relationships. The findings indicate that financial investment activities are predominantly influenced by political factors, followed by financial and environmental factors, highlighting that these factors sets collectively empower individuals to make informed financial choices (Hair et al., 2011; Sarstedt et al., 2014; Lusardi & Mitchell, 2014; Stolper & Walter, 2017).

Generally, the regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable. Therefore, political and financial factors are the most contributing factors affecting financial investment activities variable in the prediction of financial investment activities with beta value 0.420 and 3.00 respectively.

The other three factors affecting financial investment activities variables, in their beta order of standardized coefficients, are Environmental Factors (B=0.265), Socio-Cultural Factors (B=0.215) and Economic Factors (B=0.192) that the variables are making significant to the prediction of financial investment activities. In addition, significance levels all of the above independent variables are less than 0.05. This indicates that there is statistically significant relationship between them and the dependent variable (financial investment activities).

4.7. Testing Hypothesis with Regression analysis

Based on the research objectives and conceptual framework of the study, five research hypotheses were formulated and tested using multiple regression analysis. The decision rule was based on the significance level (p-value) at 0.05. Accordingly, a hypothesis was accepted when the p-value was less than 0.05, indicating a statistically significant relationship between the independent and dependent variables.

The first hypothesis test which is (H1) stated that economic factors have a positive and significant effect on financial investment activities. The regression coefficient for Economic Factors is 0.088 with a significance value (p-value) of 0.003, which is below the 0.05.

Therefore, we accept the hypothesis and conclude that economic factors have a positive and significant effect on financial investment activities.

The second hypothesis test which is (H2) stated that 'political factors' has a positive and significant effect on 'financial investment activities'. The regression coefficient for Economic Factors is 0.351 with a significance value (p-value) of 0.000, which is below the 0.05. Therefore, we accept the hypothesis and conclude that 'political factors' has a positive and significant effect on 'financial investment activities'.

The third hypothesis test which is (H3) stated that 'socio-cultural factors' has a positive and significant effect on 'financial investment activities'. The regression coefficient for Economic Factors is 0.182 with a significance value (p-value) of 0.003, which is below the 0.05. Therefore, we accept the hypothesis and conclude that 'socio-cultural factors' has a positive and significant effect on 'financial investment activities'.

The fourth hypothesis test which is (H4) stated that 'environmental factors' has a positive and significant effect on 'financial investment activities'. The regression coefficient for Economic Factors is 0.248 with a significance value (p-value) of 0.000, which is below the 0.05. Therefore, we accept the hypothesis and conclude that 'environmental factors' has a positive and significant effect on 'financial investment activities'.

The final hypothesis test which is (H5) stated that 'financial factors' has a positive and significant effect on 'financial investment activities'. The regression coefficient for Economic Factors is 0.173 with a significance value (p-value) of 0.000, which is below the 0.05. Therefore, we accept the hypothesis and conclude that 'financial factors' has a positive and significant effect on 'financial investment activities'.

Generally, all five study hypotheses are supported by the regression analysis. Political, Financial, and Environmental Factors are particularly strong drivers, while Economic and Socio-Cultural Factors, though significant, exert a comparatively smaller unique influence on financial investment activities. The findings indicate that financial investment activities are predominantly influenced by political factors, followed by financial and environmental factors, highlighting that these factors sets collectively empower individuals to make informed financial choices (Hair et al., 2011; Sarstedt et al., 2014; Lusardi & Mitchell, 2014; Stolper & Walter, 2017).

Table 16: Summary of Hypothesis Testing

S/N	Research Hypotheses	P-value	Decision
H1	Economic factors have a positive and significant effect on financial investment activities.	0.088	Accepted
H2	Financial factors have a positive and significant effect on financial investment activities.	0.351	Accepted
H3	Social factors have a positive and significant effect on financial investment activities.	0.182	Accepted
H4	Political factors have a positive and significant effect on financial investment activities.	0.248	Accepted
H5	Environmental factors have a positive and significant effect on financial investment activities.	0.173	Accepted

4.8. Investment Advisors' Insights on Factors Affecting Financial Investment Activities

Beyond the statistical findings, investment advisors provided valuable professional perspectives regarding the factors affecting financial investment activities in Ethiopia. The advisors indicated that political stability and regulatory consistency play a crucial role in building investor confidence and encouraging long-term investment decisions.

Advisors further emphasized that access to finance remains one of the major challenges affecting investment activities. According to their observations, many investors face difficulties obtaining affordable financing, which limits investment expansion and participation.

Regarding economic factors, advisors noted that inflation, exchange rate fluctuations, and overall macroeconomic stability significantly influence investor confidence and investment performance. Stable economic conditions were viewed as essential for attracting both domestic and foreign investment.

The advisors also highlighted the importance of socio-cultural factors, particularly financial literacy, public awareness, and attitudes toward investment. They observed that increased investor education can improve participation in financial investment activities.

Furthermore, advisors indicated that environmental and infrastructural conditions influence investment decisions by affecting operational efficiency, business sustainability, and long-term profitability. Overall, the professional experiences of investment advisors support the study's statistical findings and provide practical insights into the factors affecting financial investment activities in Ethiopia.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter states the summary of the study findings and results. Based on the key findings and results, conclusions are drawn and recommendations are made. The conclusions and recommendations aim to address the research objective, which was to assess the Factors affecting financial investment activities.

5.1. Summary of major findings

The data gathered from the respondents analysed for the purpose of the factors affecting financial investment activities. This study employed both descriptive and explanatory research design supported by a quantitative approach; it was collected from a sample of 72 respondents using structured questionnaires using eight selected investment advisory firms using purposive sampling technique. To do the analysis standard questioner developed by

different scholars was applied. In order to ensure the reliability and validly of these standard scales pilot test was conducted. The major findings of the study are summarized as follows:

- **Response Rate:** The study achieved a high and acceptable response rate from the distributed questionnaires, as all of the 72 respondents participated effectively in the survey. This ensured that the data collected were sufficient and reliable for data analysis.

- **Demographic Characteristics:** The demographic profile of respondents indicated that 52.8% of the respondents were males (48.4%) were aged between 30-40 years Also majority of the respondents (51.6%) had bachelor's degree. majority of the respondents are found in the age category of between 41-50 years which are 26 (36.1%) of the respondents. Regarding work Experience the majority of the respondents have between 4 to 5 years experiences which are 73 (38.4%). With respect to Marital Status 58(80.6%) of respondents are married. Moreover, 55 (76.4%) of respondents are above 5 Years as Investment Advisor. This indicates that good career related experience. Generally, the overall demographic characteristics of the respondents show that the sampled employees had adequate exposure in the area of the study that justifies the reliability of the source information used for the purpose of the study.

- **Descriptive Analysis:** The descriptive results showed that the overall mean for Economic factors was (M = 3.09), indicating a high level of implementation. Political factors recorded (M = 3.43) and Socio-cultural factors (M = 3.11), both reflecting moderate to high application. However, Financial factors (M = 3.056) and Environmental factors (M = 2.88) were relatively low, indicating weak implementation. The overall mean for financial investment activities was (M = 3.47), suggesting a moderate level of competitiveness among the clubs.

- **Correlation Analysis:** The Pearson correlation analysis revealed that all independent variables had a positive and statistically significant relationship with the dependent variable at the 0.01 significance level. Specifically, Economic Factors (r= .246) which, is between 0.01 to 0.30 are considered small level correlations. However, there is significant positive relation between political factors and financial investment activities (sig=.000, r= .706) which is between correlations of .70 to .90 are considered largely correlated. However, there is significant positive relation between

socio-cultural factors, Environmental Factors and Financial Factors (0.539, 0.535 and 0.523 respectively) which is between .30 and .70 considered as moderately correlated. Finally, there is significant positive relation between financial factors and financial investment activities (sig=.000, r=.523) which is between .30 and .70 considered as moderately correlated.

- **Regression Analysis:** The multiple regression analysis results indicated that the model explained a strong proportion of variance in financial investment activities with $R^2 = 0.758$ and Adjusted $R^2 = 0.739$, meaning that 75.8% of the variation in financial investment activities is explained by the five independent variables. The results further showed that all independent variables had significant effects on financial investment activities, political and financial factors are the most contributing factors affecting financial investment activities variable in the prediction of financial investment activities with beta value 0.420 and 3.00 respectively. On the other hand, the other three independent variables, in their beta order of standardized coefficients, are Environmental Factors (B=0.265), Socio-Cultural Factors (B=0.215) and Economic Factors (B=0.192) that the variables are making significant to the prediction of financial investment activities. In addition, significance levels all of the above independent variables are less than 0.05. This indicates that there is statistically significant relationship between them and the dependent variable (financial investment activities).

5.2. Conclusion

The general objective of the study was to determine the factors influencing financial investment activities in eight selected advisory firms in Addis Ababa, Ethiopia. From the finding of the study we can concluded that political, economic, socio-cultural, environmental, and financial factors all significantly influence investment activities.

The study descriptive analysis result concluded that the major determinant variable is 'political factor' which resulted the highest mean score, similarly, the second most determinant factor socio-cultural factors, economic factors, and financial factors showed moderate levels of influence, while environmental factors recorded the lowest mean score. Comparatively, the study dependent variable which is 'Financial investment activities' recorded a moderate agreement mean score, suggesting a relatively moderate positive perception of the current investment environment (Zaidation and Bagheri, 2009).

Additionally, correlation analysis revealed that all five determinant factors have positive and statistically significant relationships with the dependent variable. Political factors showed the strongest relationship, followed by socio-cultural factors, environmental factors, and financial factors. Economic factors had the weakest but still significant relationship. The regression analysis further showed that the model explained 75.7% of the variation in financial investment activities, with political factors having the strongest influence, followed by financial factors, environmental factors, socio-cultural factors, and economic factors.

Based on the perspectives of investment advisors, financial investment activities in Ethiopia are influenced by a combination of political, financial, economic, socio-cultural, and environmental factors. The advisors' professional experiences indicate that investors respond positively to stable policies, accessible financing opportunities, favorable economic conditions, improved financial awareness, and supportive business environments. These insights reinforce the statistical findings and demonstrate the important role of investment advisors in understanding investment behavior and market conditions. Furthermore, the results of regression analysis observed that improving political stability, maintaining consistent regulations, strengthening financial accessibility, and creating a supportive business environment can enhance investment activities

Therefore, the study concludes that political factors, financial factors, and environmental factors form the major factor affecting investment activity, while socio-cultural context and traditional economic indicators play meaningful but lesser roles.

5.3. Recommendation

Based on the insights of investment advisors the following recommendations are made as follows:

- Government should prioritize strengthening political stability, governance systems, and regulatory consistency, as political factors were found to be the strongest driver of investment.

- Financial institutions should work to improve access to finance through diversifying credit facilities, supporting business loans, and developing more inclusive financing mechanisms.

- Policymakers should give special attention for improving the investment environment through infrastructure development, technological advancement, and stronger business support systems.

- Economic policies should support well-adjusted and regional development rather than depending only on macroeconomic conditions.

- Finally, investment advisors should integrate political, financial, and environmental risk considerations into their advisory practices to improve the quality of investment decisions.

5.4. Future Research Directions

The future researchers can expand the sample to study about the factors affecting financial investment activities, to get a broader idea about the impact and/or relationship as well as to protect the generality of the findings. The following recommendations are forwarded:

- As it is mentioned in the first chapter of this study, the study of the research is confined with eight selected private investment advisory firms operating in Addis Ababa, Ethiopia and even with limited sample size; therefore, future researchers should also make their researches in different financial institutions and other different organizations in order to broaden empirical evidences in the area.

- This research employed descriptive and explanatory research design. This research design was undertaken in order to ascertain and be able to describe the characteristics of the variable of interest in the study; recommendations are therefore made for further research in a different research design like longitudinal research design, philosophical design, correlation research design etc.

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APPENDIX

ADDIS ABABA UNIVERSITY

SCHOOL OF POSTGRADUATE STUDIES

DEPARTMENT OF MANAGEMENT

Dear Respondents - First of all I would like to convey my gratitude for giving your precious time and energy to fill this questionnaire and contribute your part for the completion of this study.

Objective – The objective of the study is to examine factors affecting financial investment activities. The Research is done as a partial fulfilment of academic requirements of Master's Degree in International Business Management.

General Guideline – Please put check mark ("√") adjacent to your choice of answer. Write your short answer for open ended questions. The scales are described as follows:

1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), 5 = Strongly Agree (SA)

Confidentiality - Any information gathered in this questionnaire will be used strictly for academic purpose only. There is no necessity for respondents to mention your name, position, department or branch and any response gathered from this questionnaire will be kept in private and treated with outmost secrecy.

Therefore, I request your cooperation to properly complete all the items covered in the questionnaire since your genuine feedback is of utmost importance in determining the study's outcome. I thank you in advance for sharing your valuable experience and time in completing the questionnaire.

Yours Faithfully,

Kidist Ayalew

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I. Demographic Characteristics (Please put ("√") to indicate your answer)

Please be advised that the following questions pertain to demography and other personal information. Completing this information is voluntary and confidentiality is assured.

1) **What is Your Gender?**

Male

Female

2) **What is Your Age?**

18-30 Years

31-40 Years

41-50 Years

50 Years and Above

3) **What is Your Educational Qualifications?**

Diploma

Bachelor Degree

Master's Degree

Above Master's Degree

4) **What is Your Marital Status?**

Single

Married

Divorce

Others

5) **How Long Have You Been an Investment Advisor?**

Below 2 Years

2-5 Years

Above 5 Years

II. Factors Affecting Financial Investment Activities

Please indicate the level of your agreement with the statement below (Please put ("√") to indicate your answer). The response scale for the questions is as below:

1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), 5 = Strongly Agree (SA)

No.	Economic factors	1 (SDA)	2 (DA)	3 (N)	4 (A)	5 (SA)
1	In my professional judgment, the availability of sufficient capital is a primary driver of my clients' investment decisions.	☐	☐	☐	☐	☐
2	Based on my experience, a rapid pace of economic development is a strong motivator for me to advise clients to increase their investment activities.	☐	☐	☐	☐	☐
3	I have consistently observed that strong regional economic growth is a magnet for attracting my clients' investments.	☐	☐	☐	☐	☐
4	From my perspective, robust economic performance is a non-negotiable foundation for identifying viable investment opportunities.	☐	☐	☐	☐	☐

5	I find that clients with greater financial capacity are invariably more active and engaged in their investment behaviour.	☐	☐	☐	☐	☐
6	In my view, investing in prosperous local communities generally creates more favourable and lower-risk conditions for my clients.	☐	☐	☐	☐	☐

No	**Political factors**	**1 (SDA)**	**2 (DA)**	**3 (N)**	**4 (A)**	**5 (SA)**
1	I firmly believe that good governance is a critical factor that encourages and sustains my clients' investment decisions.	☐	☐	☐	☐	☐
2	In my experience, dealing with efficient, streamlined bureaucratic procedures significantly promotes investment activity among my clients.	☐	☐	☐	☐	☐
3	I hold the opinion that a government environment perceived as free from corruption is highly attractive to the investors I advise.	☐	☐	☐	☐	☐
4	From my professional viewpoint, strong and reliable political institutions are fundamental to fostering investment growth.	☐	☐	☐	☐	☐
5	I consider the quality of a country's political institutions to be a major determinant of the positive or negative investment trends I see among my clients.	☐	☐	☐	☐	☐
6	In my assessment, political stability is perhaps the most crucial factor for ensuring the long-term success of my clients' investments.	☐	☐	☐	☐	☐

No	**Socio-cultural factors**	**1 (SDA)**	**2 (DA)**	**3 (N)**	**4 (A)**	**5 (SA)**
1	I have found that cultural practices within a community that support business can significantly encourage my clients' investment decisions.	☐	☐	☐	☐	☐
2	Based on my advisory work, I see that social norms which celebrate entrepreneurship positively shape my clients' investment behaviors.	☐	☐	☐	☐	☐
3	I observe that a community known for its strong	☐	☐	☐	☐	☐

	work ethic and productive culture is more successful in attracting my clients' investments.					
4	From my perspective, a positive and ethical corporate culture within local businesses makes an investment proposition much more compelling.	☐	☐	☐	☐	☐
5	I believe that business-friendly customs and traditions in a society contribute to healthier and more sustainable investment patterns for my clients.	☐	☐	☐	☐	☐
No	**Environmental factors**	**1 (SDA)**	**2 (DA)**	**3 (N)**	**4 (A)**	**5 (SA)**
1	In my view, the availability of natural resources and quality infrastructure directly increases the investment potential I see for my clients in a region.	☐	☐	☐	☐	☐
2	I consider a high level of human capital development skilled and educated workers to be a key factor in attracting investments to the areas I evaluate.	☐	☐	☐	☐	☐
3	From my experience, an overall business climate that is perceived as favourable is a major draw for my clients' investment capital.	☐	☐	☐	☐	☐
4	I have noticed that the specific socio-cultural conditions of a locality have a tangible impact on the performance of my clients' investments.	☐	☐	☐	☐	☐
5	In my opinion, a region's capacity for technological advancement and innovation is a strong positive influence on my clients' investment choices.	☐	☐	☐	☐	☐
6	I find that favourable geographic characteristics, such as a strategic location or a mild climate, can significantly enhance the long-term viability of an investment.	☐	☐	☐	☐	☐

No	**Financial factors**	**1 (SDA)**	**2 (DA)**	**3 (N)**	**4 (A)**	**5 (SA)**
1	I believe that easy access to personal capital is fundamental to expanding the range of investment opportunities available to my clients.	☐	☐	☐	☐	☐
2	In my experience, directing investment funds towards productive and growing sectors is essential for maintaining healthy investment returns.	☐	☐	☐	☐	☐
3	I find that a macroeconomic environment with	☐	☐	☐	☐	☐

	stable and low interest rates creates ideal conditions for my clients to make investment decisions.					
4	From my viewpoint, sound financial structuring and planning are crucial for achieving positive investment performance.	☐	☐	☐	☐	☐
5	I observe that stability in global financial markets fosters a sense of confidence and a conducive environment for my clients' cross-border or export-oriented investments.	☐	☐	☐	☐	☐

No	**Financial investment activities**	**1**	**2**	**3**	**4**	**5**
1	I find that when clients have good access to personal savings, it makes the entire investment process easier and more accessible.	☐	☐	☐	☐	☐
2	In my experience, periods of low-interest rates directly encourage both my-self and my clients to consider borrowing as a strategy for investment.	☐	☐	☐	☐	☐
3	I believe that a stable and predictable stock market greatly increases my confidence, and that of my clients, in making equity investments.	☐	☐	☐	☐	☐
4	From my perspective, government tax incentives, like exemptions on capital gains, are effective tools for promoting investment activity.	☐	☐	☐	☐	☐
5	I see that easy access to credit and business loans is a key enabler for investment growth among the entrepreneurs and businesses I advise.	☐	☐	☐	☐	☐
6	In my opinion, participating in or recommending financial literacy programs helps both advisors and clients make wiser and more informed investment decisions.	☐	☐	☐	☐	☐

Thank you for taking time to complete this Questioner!