Factors Influencing Savings and Investment Capacity amongst Agribusiness Entrepreneurs in Agatu Local Government Area of Benue State, North-Central Nigeria

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Abstract:

This study analyzed the factors influencing savings and investment capacity amongst agribusiness entrepreneurs in Agatu Local Government Area of Benue State, Nigeria. The study employed the survey research design. Using Taro Yamane formula for sample size determination, a total of 61 respondents out of 72 registered agribusiness entrepreneurs were drawn for the study. Purposive sampling technique was used to select respondents. Data obtained by means of a well-structured questionnaire were subjected to Ordinary Least Square Regression analytical technique. Results indicated that incentive of sufficient returns, established diversified venture, availability of access road and advice received have a positive and significant effect on savings and investment capacity of respondents engaged in yam production, distribution, and marketing. The results further indicated that the risk of capital loss and retirement have a negative but significant effect on savings and investment capacity of respondents. Credit provision in the form of loans as well as a good access road, and awareness education are necessary incentives for sustained engagement in yam agrifood enterprise in the study location. These are critical for the agribusiness entrepreneurs as the availability of credits, and strategic infrastructure could enhance the capacity for further savings and investment amongst respondents

Keywords: savings; investment; capacity; agribusiness; entrepreneurs

INTRODUCTION

The agribusiness sector which comprises the sum total of all agricultural business operations engaged in from production to consumption is an important employment and income catalyst in many developed and emerging economies around the world. Agribusiness and agro-industries are a principal source of adding value to various primary agricultural products, and remain key development drivers for efficient value chains; the sector also contributes to improving product quality and safety and provide services that facilitate the flow of food from production to consumption (Konig et al. 2013).

In the recent past, the strategic role of the agribusiness sector has grown significantly; as agricultural development efforts have shifted emphasis from the production-based approach to a broader systems view that focuses on agro-food chain coordination, value creation and the institutional setting under which chains operate (Konig et al. 2013). Regarded as a driver for economic growth, agribusiness and its related industries are receiving increased emphases in policies and strategies that aim to promote investments in agro-enterprises and develop agro-based value chains

The capacity to save and invest is critical to the development of the agribusiness sector. Nasir and Khalid (2004) noted that saving and investment are two key macroeconomic variables with the micro foundation which can play a significant role in economic growth, inflation stability and promotion of employment especially in developing economies. Furthermore, the literature review shows that the growth rate in the agribusiness sector relies greatly on the stock of capital built in a farm organization and the ploughing back of such stock in the form of savings for further improvement.

The practice of savings is critical in a developing economy such as Nigeria because of the direct effect it has on the level of economic activity of the nation (Adeyemo and Bamire, 2005). Similarly, within the food and agricultural sector, the degree of progress attained will largely depend upon what the agribusiness entrepreneurs do with the additional income generated from year to year from their enterprises. If these increments are spent on household expenditure without building up the necessary infrastructures, the future economic development of the nation will be hampered (Adeyemo and Bamire, 2005). Most agri-business entrepreneurs are involved in informal ways of saving such as *isusu* (rotational contribution) and money lending (Nwobi and Mbam, 2013). Meanwhile, some agribusiness entrepreneurs that save through

formal credit institutions preferably save through microfinance bank. Their preference is as a result of the bureaucracy involves in withdrawing the money back and the higher interest rates charged by banks (Nwobi and Mbam, 2013).

Savings and investment behaviour of agribusiness entrepreneurs dependent on several interconnected factors. In the case of savings, these factors include the ability to save, the will to save, the opportunity to save; while for investment, these factors include income level, age, educational status, number of dependents, expenditure, and savings of the agribusiness entrepreneurs (Haruna, 2011). Access to financial institutions is an important factor that helps to encourage savings amongst agribusiness entrepreneurs. Others factors such as policy environment in the form of tax holidays within the first few years of an agribusiness establishment, deferred royalty payment and zero duty on agricultural machinery can have a significant impact on savings (Nwibo and Alimba, 2013).

A few number of studies conducted by various authors in recent years such as Adeyemo and Bemire (2005); Babatunde et al. (2007); Akpan et al. (2011); Nwibo and Mbam (2013), and several others have focused mainly on savings and investment patterns of rural farming households in different locations in Nigeria, but none of these studies seemed to have taken into account the factors that influence the capacity of these rural farming households to save and invest. This observed gap was the focus of the present study.

METHODOLOGY

This study was carried out to examine the factors influencing savings and investment capacity amongst yam agribusiness entrepreneurs in Agatu Local Government Area of Benue State, North-Central Nigeria. Data for the study were obtained through a well-designed questionnaire. The population of the study consisted of 72 registered agribusiness entrepreneurs engaged in yam production, distribution, and marketing in the study location. Using Taro Yamane formula for sample determination, a sample size of 62 was derived from the sample frame of 72. A random sampling technique was employed to select the 62 respondents. The Taro Yamane (1967) formula for sample determination is expressed as follows:

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

Where N= total population,
e = coefficient constant of 0.05

$$n = \frac{72}{1 + 72(0.05)^2}$$

n= 61

Model Specification

Savings and investment capacity was the dependent variable while incentive of sufficient returns, the risk of capital loss, retirement, established diversified venture, availability of access road and advice received was used as the independent variables. The simple regression model is specified as follows:

$$Ho_1: Z = In\underline{\quad P \quad} = InY = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6$$

$$1 - P$$

Where $b_1 - b_6$ represent incentive of sufficient returns, established diversified venture, availability of access road, advice received, the risk of capital loss, and retirement, which are the independent variables.

RESULTS AND DISCUSSION

Factors influencing savings and investment capacity of respondents

The results of the Simple regression analysis, as well as the model summary of factors influencing savings and investment capacity of respondents, are shown in Table 1a and 1b respectively. The results of the regression analysis shown in Table 1b revealed that incentive of sufficient returns established diversified venture, availability of access road and advice received had a positive and significant effect on savings and investment capacity amongst respondents. When there is enough incentive of sufficient returns, established diversified venture, availability of access road and advice received, savings and investment capacity amongst agribusiness entrepreneurs tend to increase positively. Results further showed that the risk of capital loss and retirement had a negative but significant influence on savings and investment capacity of respondents. The high risk of capital loss tended to negatively affect savings and investment capacity of respondents. Retirement is a factor that is believed to determine the tendency to save and invest for the future need. However, for this study retirement had a negative influence on savings and investment, which was unexpected. Thus, as retirement time approaches, the probability of savings and investment decreases amongst respondents as they do not see the need to save anymore. The R-squared value indicates that more than 72% of the dependent variables are accounted for by the independent or explanatory variables included in the model.

Table 1a Model summary of factors influencing savings and investment capacity amongst agribusiness entrepreneurs

Model	R	R square	Adjusted R square	Std. The error of the Estimates
1	0.849[a]	0.721	0.764	101017.500

Source: Data analysis 2018

Table 1b Regression analysis of factors influencing savings and investment capacity amongst agribusiness entrepreneurs

Model	Unstandardized coefficients		Standardized coefficient	t	Sig.
	B	Std Error	Beta		
(constant)	-1117.088	5038.565		-0.222	0.825
Incent_Suffi_Returns	51.292	410.001	0.019	7.012[***]	0.000
Risk_Cap_Loss	-162.022	321.821	-0.017	-4.871[***]	0.020
Retirements	-362.663	726.222	0.162	-24.26[***]	0.000
Est_Diver_Venture	152.631	362.008	0.302	6.082[***]	0.000
Ava_Acc_Road	92.027	67.223	0.362	12.74[***]	0.005
Advice Received	73.62	24.72	0.732	29.63[***]	.0000

Source: Data analysis 2018; *** Significant at 1% p ≤ 1

CONCLUSION AND RECOMMENDATIONS

The growth of any economy can be linked to the crucial role of government and entrepreneurs. Sustainable economic growth can only be possible with the provision of necessary infrastructure and creation of enabling a business friendly environment for entrepreneurs to operate especially small and medium sized

enterprises which depend heavily on such infrastructure. The government can assist small and medium enterprises through credit provision in the form of interest-free loans; financial institutions can also give loans to entrepreneurs at low interest rates to facilitate business operations without the risk of heavy losses due to a higher rate of interest. Lower interest rates have the advantage of reducing debt burdens that negatively affect returns on capitals. The incentive of sufficient returns is critical to savings and investment capacity of agribusiness entrepreneurs in the study location, and it is important that this should be encouraged through the provision of necessary infrastructure and credits.

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