

Analysis of the Factors Influencing Savings and Investment Behaviour among Yam Entrepreneurs in Benue State, Nigeria

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Abstract

The study analysed the factors influencing savings and investment behaviour among yam entrepreneurs in Benue State of Nigeria. The specific objectives were to: (1) determine the extent of savings and investment among yam entrepreneurs, and (2) to identify and analyse the factors influencing savings and investment behaviour among yam entrepreneurs. Data were collected from 288 yam entrepreneurs in six local government areas and 24 wards using a multi-stage sampling technique. Structured interview schedule was used to collect the data. Data collected were analysed using frequency distributions table, percentages and factor analysis. The results reveal that yam entrepreneurs carry out their savings on weekly basis and their investment on a daily and weekly basis. The results also indicate that financial and social factors significantly affect savings and investment behaviour of yam entrepreneurs. It was recommended that policies aimed at improving savings and investment of yam entrepreneurs should focus on social and financial factors affecting their savings and investment behaviour; campaign promoting savings and investment should be intensified; establishment of agricultural development banks and setting up more branches of commercial banks in the areas of these yam entrepreneurs should be encouraged.

Key words: Factors, Savings, Investment, Behaviour, Yam Entrepreneurs, Benue State

1. Introduction

Yam is one of the major staple food crops grown in Nigeria. Benue State is acknowledged as the nation's leading producer of yam with total output estimated at 3,914.17 ('000 metric tons) and the total area planted with yam during the 2009/2010 season put at 396.45 ('000 ha) (NBS, 2012).

The crop is of great nutritional and economic importance to both the rural and urban dwellers and also acknowledged to provide some 200 calories of energy per capita daily in Nigerian and West African diet (Reuben and Barau, 2012). Yam is also a source of industrial starch and a preferred staple food appreciated for its taste and cultural role (Reuben and Barau, 2012; Amujoyegbe and Bamire, 2005)

Yam production in Nigeria has continued to experience a downward trend. This downward trend has persisted as a report by FAO (2007) revealed that as at 2006, the national output of yam was 39.3million tons which fell to 37.3million tons in 2010 (NBS, 2012). According to Idumah *et.al.* (2014), this general decline in yam production in Nigeria has continued over the years.

Ogbonna *et.al.* (2012) in a study on the determinants of rural poverty in Africa: the case of yam farm households in southeastern Nigeria, revealed that as a result of the decline in yam output, the gap between yam supply and demand has increased. Similarly, Kushwaha and Polycap (2001) further reported that as a result of this downward trend in yam output in the country, the commodity has become more expensive particularly in the urban areas.

Similarly, Shehu *et.al.* (2010) in a study on the determinants of yam production and technical efficiency among yam farmers in Benue State, Nigeria, further revealed that the poor attention from the government on yam production in the country reflected in the fall in output percentage growth rate of yam from 42% in 1990 to 16.3% in 2001 despite the increase in land devoted for the production of the crop from 1,270 ('000 ha) to 2,742 ('000 ha) in the same period.

This declining trend in yam production may not be unconnected with poor savings and investment behaviour among yam entrepreneurs. Oluwasola *et.al.* (2012) in a study on factors enhancing investment and farm

capitalization in small holdings in Nigeria: Policy implications for transforming the agricultural sector pointed out that the low productivity-low income-low saving circle of farmers in Nigeria, as in most countries in the Sub Saharan African region, implies that very little is available to invest in increasing the capital stock of farm enterprises.

According to Ogheneruemu *et.al.* (2014), growth attained within the agricultural sector depends largely on what the farmers do with the seasonal additional incomes generated from their farm activities. Similarly, Akerele and Ambali (2012) further revealed that the growth rate in the farming economy largely depends on the stock of capital built in a farm organization and the re-investment of such stocks in form of savings for further improvement of the farm organization.

Arising from the foregoing, there is the need to look at those factors that influence savings and investment behaviour among yam entrepreneurs. This is because an understanding of these factors will guide the formulation of development strategies geared towards improving the economic life of the yam entrepreneurs as well as the growth of the yam sector.

The main objective of the study was to analyse the factors influencing savings and investment behaviour among yam entrepreneurs in Benue State. The specific objectives were to:

- determine the extent of savings and investment among respondents, and
- identify and analyse the factors influencing savings and investment behaviour among respondents.

2. Methodology

The study was carried out in Benue State. The state is located in the north-central part of Nigeria within latitudes $6^{\circ}25'N$ and $8^{\circ}8'N$ as well as longitudes $7^{\circ}47'E$ and $10^{\circ}E$. The State has a land area of 30,955 sq. km. The land is made up of undulating plains at elevations ranging from 150m-300m above sea level. The state soils are sandy loam, sheaves basement complex and alluvial plains. It has undulating plains. The state enjoys a tropical climate with two distinct seasons. The rainy season is from April to October, while the dry season is from November to March. The state stretches across the transition belt between forest and savannah vegetation.

The state is engulfed with vast number of agribusiness entrepreneurs including those engaged in production of arable crops like maize, rice, and yam as well as those involve in the processing of yam, cassava, cereal. Also entrepreneurs involved in yam distribution/marketing, yam chip and flour production abound in the state. Agriculture forms the mainstay of the state's economy thus improvements in yield and value will have significant impact on poverty alleviation and quality of life for the citizens of Benue State.

In order to understand the factors influencing savings and investment behaviour in the study area, a well-structured interview schedule was used to collect data from 288 yam entrepreneurs involved in yam production, yam marketing/distribution, yam chip and yam flour production during the 2015 season selected using multi-stage sampling technique from Gwer-East, Gwer-West, Obi, Oju, Tarka, and Ukum local government areas of the state known for yam production.

In the first stage of the multi-stage sampling technique used, 6 Local Government Areas were selected randomly from the 13 Local Government Areas of the State with high concentration of these agribusiness entrepreneurs. In the second stage, four wards were randomly selected from each of the six Local Government Areas making a total of 24 wards.

In the third stage, from each of the selected ward, three yam producers, three distributors/marketer of yam, three yam chips producers, and three yam flour producers were selected randomly, thus giving a sample size of 288 agribusiness entrepreneurs that are engaged in yam production, distribution/marketing of yam, yam chips production, and yam flour production

Data were analysed using descriptive statistics such as frequency distribution table and percentages to examine the extent of savings and investment among respondents. Factor analysis was employed to realize the factors influencing savings and investment behaviour among respondents.

The model for the factors influencing savings and investment behaviour was explicitly expressed as follows:

$Y_i = \beta_{i0} + \beta_{i1}F_1 + \beta_{i2}F_2 + \beta_{i3}F_3 + \dots + \beta_{in}F_n + \varepsilon_i$ where:

Y_i = observable variables

Y_1 = Incentive of sufficient returns

Y_2 = Risk of capital loss

Y_3 = A place to retire

Y_4 = Establish diversified venture

Y_5 = Availability of accessible roads

Y_6 = Advice receive

$\beta_1 - \beta_n$ = parameters or loadings

$F_1 - F_n$ = factors to be extracted.

ε_i = stochastic error term.

3. Results and discussion

The saving behaviour of the yam entrepreneurs was examined and summarized below. Table 1 depicts the distribution of respondents based on their saving pattern.

Table 1 shows that most (47.8%) of the yam entrepreneurs saved their earnings on a weekly basis which is followed by 38.4% of the respondents that saved on daily basis. The yam entrepreneurs were mostly members of informal groups such as *isusu*, cooperative society and mutual help groups which require members to make little contributions either on a daily or weekly basis. This finding is in line with Amu (2008) who observed that prolific savers who saved either on daily basis or on weekly basis, saved their monies in informal forms such as keeping the money at home or with trusted persons or friends in the society.

Amu (2008) further indicated that families who saved small amounts of money were likely to save it on daily and weekly basis while those who saved large sums of money were more likely to save it on monthly or occasional basis.

3.1 Level of investment by respondents

The distributions of respondents according to the frequencies of their investments are presented in Table 2.

The result of the analysis of Table 2 shows that majority (90.0%) of yam entrepreneurs invest part of their earnings very often. This implies that they invested on a daily or weekly basis. Entrepreneurs who are into yam marketing/distribution are more likely to invest on weekly or daily basis as their business requires they buy these yam produce from either the yam producer or other middle men in order to meet the daily or weekly demand of their customers. This finding is in consonance with Amu (2008) who posited that to invest either daily or weekly can only be feasible with some forms of investments such as trading, where one can buy goods for resell either daily or weekly.

3.2 Factors influencing savings and investment behaviour

Factor analysis was used to identify factors that influence the savings and investment behaviour of agribusiness entrepreneurs. This follows Kaiser's rule of thumb of 0.4 as a minimum point a variable will load before it can be accepted as having effect. Table 3 depicts that variables that influence savings and investment behaviour among yam entrepreneurs are risk of capital loss, a place to retire, established diversified venture, and advice receive.

Table 3 further shows that the major factors that influence savings and investment behaviour of agribusiness entrepreneurs can be categorized into two components. The components are: financial and social components. Based on the factor loading, the following financial components were extracted: risk of capital loss (0.828) and a place to retire (0.780).

The perceived risk of capital loss in a given savings outlet and investment option will strongly influence the savings and investment decision of yam entrepreneurs to look for other savings outlet or investment alternative with less risk. This finding is corroborated by Amu (2008) who observed that households wanted a form of investment that the risk and uncertainty levels were low and also those they thought they had a prior knowledge of in order to play it safe.

A place to retire was also identified as a financial factor that influences the savings and investment behaviour of yam entrepreneurs in the study area. The desire to maintain an already established standard of living even at old age will stir yam entrepreneurs to start accumulating savings and building up entrepreneurial ventures. This agrees with the findings of Nwibo and Mbam (2013) who argued that since retirement is believed to be the last stage of life, farmers will be pleased to save and invest so as to maintain the already established standard of living.

Analysis of the result reveals that the social factors influencing saving and investment behaviour of yam entrepreneurs' base on Kaiser's loading were establish diversified venture (0.472) and advice receive (0.877)

Advice received in terms of the pros and cons of saving in a particular savings outlet or investment in a particular investment option influences the savings and investment decision of yam entrepreneurs. This finding is affirmed by Nwibo and Mbam (2013) who posited that advices such as potential investment areas, benefits derivable from investment, inherent dangers of not saving and investing can influence farming households to save and invest.

To establish diversified venture was also identify as a social factor that influence the saving and investment behaviour of yam entrepreneurs in the study area. The inherent risks involve in agribusiness influences yam entrepreneurs to save and invest in other areas so as to serve as a cushion in the event of business failure. This finding is corroborated by Nto *et.al.* (2011) who in a study on the analysis of risk among agribusiness enterprises investment in Abia State, observed that most agribusiness firms adopted diversification strategy such as investment in more than one portfolio, engaging in non agribusiness activities, production of two or more agribusiness products etc as a way of reducing risk.

4. Conclusion and policy implications

Findings from the study reveal that yam entrepreneurs carry out their savings on weekly basis and their investment on a daily and weekly basis. The results also indicate that financial and social factors significantly influence the savings and investment behaviour of yam entrepreneurs.

On the basis of these findings, the following recommendations were made:

- Campaigns aimed at promoting the benefits of savings and investing one's resources as well as the dangers of not saving and investing should be encouraged in the areas of these yam entrepreneurs.
- Government should establish agricultural development banks and also provide an enabling environment that will encourage commercial banks in setting up branches in the localities of these yam agribusiness entrepreneurs.
- Policies aimed at improving savings and investment activities among yam entrepreneurs should include in their formulation the social and financial factors affecting their savings and investment behaviour.

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Table 1. Distribution of respondents based on saving pattern

Extent of saving	Frequency	Percentage (%)
Daily	106	38.4
Weekly	132	47.8
Monthly	22	8.0
Quarterly	2	0.7
Seasonal	14	5.1
Total	276	100.0

Source: Field survey, 2015.

Table 2. Level of investment by respondents

Level of investment	Frequency	Percentage (%)
Very often	224	90.0
Often	23	9.2
Rarely	1	0.4
Never	1	0.4
Total	249	100.0

Source: Field survey, 2015.

Table 3. Factors influencing savings and investment behaviour

Variables	Components	
	Factor 1	Factor 2
Incentive of sufficient returns	-0.096	0.266
Risk of capital loss	0.828*	0.289
A place to retire	0.780*	-0.198
Establish diversified venture	-0.697	0.472*
Availability of accessible roads	-0.809	-0.018
Advice receive	0.259	0.877*

Source: Field survey, 2015. * Significant based on Kaiser Normalization

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