

# Determinants of Entrepreneurship Among Agribusiness Investors In South-East, Nigeria

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## Abstract

The determinants of entrepreneurial choice have been widely researched, but the determinants of such in South-east, Nigeria especially in agro-related business has not been fully explored. The study analysed the determinants of entrepreneurship among agribusiness investors in Southeast, Nigeria. A combination of multistage and purposive sampling techniques was adopted in the collection of data from three hundred and sixty (360) agribusiness investors using structured questionnaires. Both descriptive and inferential statistics were employed to realise the objectives of the study. The result shows that majority of agribusiness investors in Southeast Nigeria were mostly males (75.6%) who were within the mean active age of forty-three (43) years and with a mean household size of 7 persons, and earned an average annual income of five hundred and seventy three thousand, seven hundred and seventy nine naira (₦573,779.00). The result equally revealed that 50% of farm input supply agribusiness ventures were located within the urban while production component of agribusiness were located within the rural (39%) and peri-urban (38%) respectively. The study identified unemployment, profit motive, quest to be financial independent, population of the investment area, experience in self employment, and proximity to market as the major factors that influence individual's decision to be an entrepreneur. The result equally shows that age, educational status, experience, annual income, household size, household entrepreneurial history, and source of investment capital have positive effect on determinants of entrepreneurship. With the  $\chi^2$  values of 1152.480 and the Pseudo  $R^2$  value of 0.055, the included variables in the model, gave a good impression, regarding the model's goodness of fit at 0.05 ( $P=0.05$ ) level of significance. Based on the findings of the study, the pursuance of a prudent macroeconomic policy such as the imposition of free duties to local agribusiness producers/processors to ensure that entrepreneurs will produce at incentive level was recommended.

**Key words:** Determinants, entrepreneurship, agribusiness, investors, enterprises

## 1. Introduction

Entrepreneurship according to Wennekers and Thurik (1999) is the manifest ability and willingness of individuals to perceive new economic opportunities and seize these opportunities into the market. Hence, it can be conceived as process, which involves the efforts of an individual in identifying viable opportunities in a business environment and obtaining and managing the resources needed to exploit those opportunities. Entrepreneurship makes entrepreneurs to derive great satisfaction from their entrepreneurial work. Being an entrepreneur offers far greater security than being an employee elsewhere. Entrepreneurship enables entrepreneurs to acquire wealth quickly and cushion themselves against financial insecurity (Blanchflower, 2000).

Economic theory suggests that numerous factors affect entrepreneurship and they include demography, politics, culture, geography, and economics). These factors affect the individual characteristics of the entrepreneur in different ways: economic characteristics of the area where an individual lives may affect the income from entrepreneurial activity; cultural values of the community where an individual lives may affect the utility of the entrepreneurial activity, for instance, by influencing the prestige that is attributed to being an entrepreneur. The decision of individuals to become entrepreneurs is generally modelled in terms of utility maximization, where the economic returns from entrepreneurship are compared to returns of wage employment (Jovanovic, 1994). Individual-specific characteristics such as risk aversion (Kihlstrom and Laffont, 1979), prior self-employment experience (Evans and Leighton, 1989), education, human capital, age and personality traits such as drive for achievement (Blanchflower and Meyer, 1994) are found to have an impact on an individual's entrepreneurship choice.

In Nigeria, agribusiness enterprises span the entire agricultural production, processing, distribution and consumption spectrum from farm input supplies through farms themselves. Included also are wood producers,

furniture manufacturers, food processors, food packers, food transporters, and food marketing companies. If agribusiness is stretched to the farthest limits, more than 75% of all business operations in Nigeria may be classified as agribusiness in form or typology and it provides a broad range of investment opportunities for both institutional and private investors (Onyido, 2006). Thus, there are strong synergies between agribusiness and the performance of agriculture for development. Dynamic and efficient agribusiness spurs agricultural growth. And a strong link between agribusiness and smallholders can reduce rural poverty.

Entrepreneurship has been recognized as one of the driving forces for market competitiveness and economic growth and undoubtedly, the determinants of entrepreneurial choice have been widely researched (Sena *et al.*, 2010) but the determinants of such in South-east, Nigeria especially in agro-related business are yet not fully explored.

Broadly, the objective of the study was to determine the determinants of entrepreneurship among agribusiness investors in South-East, Nigeria. Specifically, the objectives are; to: describe the socio-economic characteristics of the agribusiness investors in South-East, Nigeria; identify and characterise the various components of agribusinesses that are operating in South-East Nigeria; analyse the identified determinants of entrepreneurship among agribusiness investors in the area; and to determine the effect of socio-economic characteristics of the agribusiness investors on their entrepreneurship determinants.

## 2. Methodology

### 2.1. Study Area

The study area is South-east of Nigeria. The area is one of the six geopolitical zones of Nigeria and it comprises of five states, namely; Anambra, Imo, Abia, Enugu, and Ebonyi. The area has a total population of 16.4 million people who are mainly of Igbo extraction (NPC, 2006). With an approximated land mass of 58,214.7 square kilometres, the area lies between longitude  $6^{\circ} 50'$  and  $8^{\circ} 30'$  E latitude  $4^{\circ} 30'$  and  $7^{\circ} 5'$  N. Atmospheric temperature in the area varies from  $18^{\circ}\text{C}$  to  $34^{\circ}\text{C}$  within the year. The area is endowed with abundant natural resources and lots of agricultural activities. The agricultural activities conform to the tri-aggregates of agribusiness which include; farm supply, farm processing and distribution/marketing of processed products.

### 2.2. Sampling Technique and Data Collection

Both purposive and multistage sampling techniques were employed in the selection of 360 agribusiness entrepreneurs in the study area.

**Stage 1:** From the five States of the South-East geo-political zone (Anambra, Imo, Abia, Enugu, and Ebonyi), three States (Ebonyi, Abia, and Anambra) were randomly selected.

**Stage 2:** From the three States that were randomly selected, two agricultural zones each were randomly selected. The zones that were selected are; Ebonyi North and Ebonyi South for Ebonyi State, Abia South and Abia Central for Abia State, Anambra Central and Anambra North for Anambra State.

**Stage 3:** Then two Local Government Areas (L.G.As) each were purposively selected from the randomly selected six agricultural zones of the States, which gave a total of 12 L.G.As. The choice of purposive sampling here was based on the level of agribusiness activities going on in the area.

**Stage 4:** From each of the purposively selected, twelve L.G.As and thirty (30) agribusiness investors each were purposively selected to give a total of three hundred and sixty (360) respondents which constituted the study sample. Meanwhile, a reconnaissance or preliminary survey was carried out to determine the existence and locations of agribusiness ventures in the selected area. Data that were used for analysis were collected primarily using structured questionnaire and interview schedule. The construction of the research instrument was based on the study objectives. To ensure reliability and validity of the instrument, samples of the questionnaire were pre-tested on thirty (30) respondents that were distinct from the 360 sample size.

### 2.3. Data Analysis

Both descriptive and inferential statistics were employed in the analysis of the data collected. Descriptive statistics, such as tables, percentages, and means were employed to analyse objectives (i) and (ii). Objective (iv) was realised using probit regression analysis, while objective (iii), was achieved using factor analysis.

### 2.4. Analytical Models

#### *Probit Regression Model*

The probit regression model was used to obtain the entrepreneurship determinants. In this case, the socioeconomic characteristics of the agribusiness investors were regressed against entrepreneurship determinants.

The probit model was expressed implicitly as:

$$ED = \beta_o + \beta_i X_i + e_t, \text{ and } ID = \beta_o + \beta_i X_i + e_t; \text{ and}$$

Explicitly expressed as:

$$ED = \beta_0 + \beta_1 AG + \beta_2 GEN + \beta_3 LED + \beta_4 EXP + \beta_5 AI + \beta_6 HHS + \beta_7 HEH + \beta_8 SIC + \beta_9 NEO + \beta_{10} MS + e_t$$

where,

$ED$  are dichotomous dependent variables, which can be explained as:  $ED = 1$ , effect on decision to be entrepreneur,  $ED = 0$ , no effect on decision to be entrepreneur,  $\beta_o$  = is the intercept,  $\beta_i$  are regression coefficients that explain the entrepreneurship determinants of the agro-entrepreneurs,  $X_i$  = independent variables, and  $e_t$  is the error term.

The explanatory variables represented by  $X_i$  are:

AG = Age of entrepreneur (in years)

GEN= Gender of entrepreneur (male = 0, female = 1)

LED = Level of education (highest level of education attained: FSLC = 1, SSCE = 2,

OND/HND = 3, B.Sc = 4, M.Sc and above = 5) of the entrepreneur

EXP = Experience (dummy: no experienced = 0, not experienced = 1)

AI = Annual personal income of the entrepreneur (naira)

HHS= Household size (total number of persons feeding from the entrepreneur's pot/house)

HEH = Household entrepreneurial history (father/mother = 1, brother/sister = 2, uncle = 3, grandparents = 4)

SIC = Source of investment capital (formal = 0, informal = 1)

NEO = Nature of enterprise ownership (family = 0, sole (personal) = 1, partnership = 2, joint stock = 3, cooperative society = 4)

MS = Martial status (married= 0, divorced = 1, separated = 2, widowed(ered) = 3)

### 2.5. Factor Analysis (Principal Component Analysis)

Based on the factors considered, the Principal Component Analysis (PCA) or Factor Loading was used in naming the factors based on the application of Kaiser's rule of thumb (Kaiser developed a rule of thumb of 0.4 as a minimum loading weight which a factor can have before it can be isolated as being positive to the attribute in question). The factor model was expressed mathematically as:

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

where,

$B_i$  = parameters or loadings;  $B_1 - B_n$  are the loading of variable  $Y_i$  on factors,  $F_n$ .

## 3. Results and Discussion

### 3.1. Socio-economic Characteristics of Agribusiness Investors

The result of the socio-economic characteristics of the agribusiness entrepreneurs as presented in Table 1 shows that the mean age of entrepreneurs in South-East Nigeria, was 43 years. This indicates that entrepreneurial activities in South-East Nigeria were dominated by the active investors, who were within the age bracket of 40 – 59 years. It was on this note that Fakoya and Daramola (2005) observed that in western Nigeria, agro-entrepreneurs within this age bracket are more innovative, motivated and adaptable respondents who can with wisdom cope with farming challenges. It was equally observed that majority of agribusiness investor's (75.6%) were males. Hence, a disagreement with Bardasi, Blackden, and Guzman (2006) who reported that women are major players in the private sector, particularly in agriculture and in informal businesses.

The analysis on the household size of the agribusiness entrepreneurs shows a mean household size of 7 persons which signifies large household which could be used to enhance labour availability. This finding corroborated that of Odoh, Nwibo and Odom (2009) who reported a household size 8 person for smallholder cassava farmers in Afikpo North L. G. A. It equally tends to agree with Ezike (1999) who reported that the family size of farmers in South-East zone of Nigeria was 8.

The study shows that the average educational attainment of agribusiness investors in South-East Nigeria was the completion of secondary school education and that the investors earn an average annual income of five hundred and seventy three thousand, seven hundred and seventy nine naira ( N573,779.00). The obtained annual income is

favourable for the development of the sector as majority of the agribusiness ventures are under the category of small and medium enterprises (SMEs).

The findings of the study equally revealed that shows that most of the agribusiness investors in South-East Nigeria were individually owned. Thus justifying FAO (2001) report that more than 70 percent of all businesses operating in the country are agribusiness concerns primarily in the hands of the private sector. Again, the major source of investment capital for the investors was from informal sources, mainly from personal savings, friends and relatives, rotational contribution, and unregistered cooperative societies. The over dependence on informal source can be attributed to the high collateral demand and bureaucratic bottleneck that is inherent in the formal sector.

### **3.2. Nature of agribusiness ventures operating in South-East, Nigeria**

Agribusiness in Nigeria is made up of heterogeneous commercial enterprises which according to Nto and Mbanasor (2011a) were categorised in terms of production systems, product types and management patterns that were highly diverse ranging from micro owner – operated/family units to corporate giants such as the UAC foods, Nigeria Bottling Company, Nigeria Brewery Plc among others. In Southeast Nigeria, the farm supply component of agribusiness was found to be highly dominated by the suppliers of inorganic fertilizers (26.27%), agro-chemicals (16.9%), farm equipments (16.5%), and seedlings (13.0%) (Table 2). The high dominance of agribusiness investors in the area was justified by the establishment of Calabar export processing centre in the South-eastern by the Federal Government of Nigeria.

Farm production component of agribusiness was divided into arable crops and livestock production. In the study area, it was observed that majority of investors were into arable crop production than livestock production. This justifies the reasons why most of the entrepreneurs are into the supply of arable crop related products. It was further found that arable crop production enterprises in the area are mainly into cassava, rice, and yam production respectively with negligible investment in maize, cocoyam and vegetable production. However, entrepreneurs of livestock production are mostly those of poultry and fishery producers respectively. The processing component of agribusiness in South-East Nigeria shows that entrepreneurs are mainly in the processing of cereals (rice), legumes and nuts, and cassava, respectively. This finding is in consonance with the earlier finding of Mhlanga (2010), who reported that large African companies are more dominant in West Africa with agro-food processing as their major area of interest. However, the principal market players in the field of distribution are mainly those that were into the distribution of cereal products, cassava, legumes and nuts, and yam commodities respectively. This justifies the earlier assertion that South-East Nigeria was is agrarian with dominance in the production of rice, yam, and cassava.

### **3.3. Determinants of entrepreneurship**

The analysis on the determinants of entrepreneurship among agribusiness investors has shown that the quest to be self-fulfilled and financially independent as one of the major driving forces. Again, some entrepreneurs opted to be entrepreneurs to avoid being unemployed. This corroborates Mandama (2010), who inferred that entrepreneurial forces are relatively strong in Nigeria, as lack of jobs and poverty leaves many people with only the option of venture creation. An area that is highly populated has been identified to have strong affinity for entrepreneurs, who get attracted to the area in order to maximize returns from expected patronage of customers. This corroborates ILO (1990) report that in France, the pace of population growth in the country positively influenced the number of entrepreneurs as population growth creates an increasing demand for goods and services hence, urban regions attract businesses due to the existence of business infrastructure. The study equally identified experience as being an important determinant of entrepreneurship as having experience as an employee in another related firm has a positive impact on individual's quest to be an entrepreneur of his own. The proximity of agribusiness ventures to market has been identified by the study to have positively influenced entrepreneurship among agribusiness entrepreneur in South-East Nigeria as firms that are closely located to the market can easily acquire necessary production inputs and also dispose output. This finding was in total agreement with Nto and Mbanasor (2011a) who posited that firms that are close to market have the advantage of increased productivity given the low cost of inputs as a result of reduced transport cost.

### 3.4. The effect of socio-economic characteristics on determinants of entrepreneurship

Probit analysis was used to investigate the effect of socio-economic characteristics of agribusiness investors on the decision to become entrepreneur (Table 4). From the analysis, it was observed that chi-square ( $\chi^2$ ) was 1152.480 and Pseudo  $R^2$  was 0.055 which was greater than the significance level of 0.05 ( $P = 0.05$ ) which indicates that the model, gives a good impression, regarding the model's goodness of fit hence, a justification that the socioeconomic characteristics of the agribusiness entrepreneurs have significant effect on the determinants of agribusiness in South-east, Nigeria. Specifically, the coefficient of age of the entrepreneurs was found to be positive and statistically significant at 1% ( $P < 0.01$ ) level. This implies that age has a direct influence on the decision of an individual to be an entrepreneur, as increase in age of an entrepreneur increases his desire and quest to be an entrepreneur. This finding conforms with Davidson (1991) who inferred that increasing quest of an individual to be an entrepreneur stems from the general need of older individuals to earn additional income to support the cost of living (i.e., support domestic burden, pay for mortgage, etc). However, it refutes Miller (1984), who reported that younger people choose entrepreneurship as they are more likely to enter riskier agricultural projects.

The educational attainment of an entrepreneur has been found to be related to decision to be an entrepreneur as seen from the coefficient of educational status that was positive and statistically significant at 0.01 ( $P = 0.01$ ) level of significance. This implies that as an individual increases his educational attainment, his entrepreneurial quest and skill increase. Thus, expanding his knowledge base which makes him alert to new opportunities, and increase in the opportunity cost of being self-employed.

The coefficient of experience was positive and statistically significant at 1% ( $P < 0.01$ ) thus implying that as individual increases his entrepreneurial experience through training and learning, his quest to be an entrepreneur increases. This affirms the earlier finding of Bosma, *et al.* (2009) who deduced that having had experience in the same sector or business increases the probabilities of becoming entrepreneur of self owned business.

The coefficient of annual income of the entrepreneur was positive and statistically significant at 1% ( $P = 0.01$ ) level. This implies that increase in individuals' annual income increases the propensity to invest in agribusiness as an entrepreneur. This corroborates Bohacek (2006) who inferred that wealth possessed by the individuals provides a degree of security for entering self-employment and helps them to ease their credit constraints. Thus, households with higher levels of income have a higher tolerance for risk. Hence, they are most likely to be business owners.

The coefficient of household entrepreneurship history was positive and statistically significant at 5% ( $P < 0.05$ ). This implies individuals that came from a family of entrepreneurs will tend to aspire to be entrepreneur than those from non entrepreneurial families. This finding justifies Drucker (1985), who reported that only positive entrepreneurial experiences by parents have a positive impact on their children's decision to become entrepreneurs. However, this is at variance with the findings of Bohacek (2006) who reported that individuals tend to learn more about how to do business from the failures as opposed to successes of their parents provided that they are generically inclined to entrepreneurial adventures.

## 4. Conclusion and Recommendations

The study identified unemployment, profit motive, quest for financial independence, population of the investment area, experience in self employment, and proximity to market as the major determinants of entrepreneurship in South-East, Nigeria. Again it was observed that age, educational status, experience, annual income, household entrepreneurial history, and marital status were the identified entrepreneurs' socioeconomic characteristics that have significant effect on the decision to be an entrepreneur.

Based on the findings of the study, the following policy recommendations are put forward.

- A prudent macroeconomic policy should be pursued. Economic policy such as the imposition of free duties on locally produced/processed agro-products should be vigorously and religiously pursued to ensure that entrepreneurs enjoy some incentives.
- Thorough market research is needed to determine the level of demand for the products or services being offered by emerging agribusinesses.
- Venturing into agribusiness without proper training in the act business management has been identified as one of the clogs in the wheel of entrepreneurship development in Nigeria. Based on this premise, the

study recommends that all would entrepreneurs should first undergo training in entrepreneurship before venturing into its establishment.

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**Table 1: Percentage distribution of the agribusiness entrepreneurs according to socio-economic characteristics**

Parameter	Frequency (N = 360)	Percentage	Mean
<b>Age (years)</b>			
20 – 39	126	35.0	
40 – 59	144	40.0	43
> 60	90	25.0	
<b>Gender</b>			
Male	272	75.6	
Female	88	24.4	
<b>Household size</b>			
1 – 7	229	63.6	
8 – 14	119	33.1	
15 – 21	9	2.5	7
22 – 28	1	0.3	
29 – 35	2	0.6	
<b>Educational Status (years)</b>			
No formal education	29	8.1	
Primary education	86	23.9	
Secondary sch. education	169	46.9	
National Diploma/NCE	34	9.5	
HND/B.Sc.	38	10.5	
MSc/Ph.D	4	1.1	
<b>Annual Income (₦)</b>			
< 100,000	17	4.8	
101,000 – 500,000	211	58.6	
501,000 – 1,000,000	107	29.7	₦573,779
1,100,000 – 1,500,000	10	2.8	
> 1,500,000	15	4.1	
<b>Entrepreneurial Experience (years)</b>			
< 5	118	32.7	
6 – 10	110	30.6	10
11 - 15	76	21.1	
16 – 20	20	5.6	
> 20	36	10.0	
<b>Source of Inv. Capital</b>			

Formal	52	14.4
Informal	308	85.6
<b>Nature of Ownership of Enterprise</b>		
Family	129	35.8
Personal	213	59.2
Partnership	8	2.2
Cooperative	10	2.8
<b>Marital Status</b>		
Single	65	18.1
Married	283	78.6
Divorced	3	0.8
Widowed	9	2.5
Separated	0	0.0
<b>Household Entrepreneurial History</b>		
No history	167	46.4
Father	122	33.9
Brother	40	11.1
Uncle	31	8.6

Source: Field Data, 2011

**Table 2: Percentage distribution of the entrepreneurs according to agribusiness ventures operating in the South East, Nigeria**

Form of Agribusiness	Area invested	Freq	%	% $\bar{X}$	
Farm Input Supply	Farm equipments	15	16.5	12.5	
	Fertilizers	24	26.7		
	Agro-chemicals	15	16.9		
	Seedlings	10	13.0		
	Livestock feed	8	8.9		
	Breeding stock	7	7.8		
	Veterinary supply	9	9.0		
	Flour	2	1.2		
Farm Production	Arable	Rice	24	53.3	33.3
		Cassava	30	66.6	
		Maize	6	13.3	
		Yam	18	40.0	
		Vegetable	8	17.7	
		Cocoyam	4	8.8	
	Livestock	Poultry	20	44.4	20.0
		Goat/sheep	4	8.9	
		Piggery	7	15.6	
		Cattle	2	4.4	
		Fish	12	26.7	
		Processing	Cassava	12	
Livestock feed	6		6.7		
Palm oil/kernel	6		6.7		
Timber	4		4.4		
Confectionaries	8		8.9		
Cereal	28		31.1		
Legumes & nuts	18		20.0		
Livestock	8	8.9			

Distribution/marketing	Cassava products	18	20.0	10.0
	Flour	3	3.3	
	Confectionaries	4	4.4	
	Yam	12	13.3	
	Livestock/livestock products	4	4.4	
	Timber/timber products	4	4.4	
	Livestock feeds	4	4.4	
	Cereal	20	22.2	
	Legumes/nuts/melon	16	17.8	
	Palm products	5	5.6	

Source: Survey data, 2011.

**Table 3: Varimax rotated component matrix on the decision to become an entrepreneur among agribusiness investors in South-East, Nigeria**

S/N	Factors	Components		
		<i>Economic factors</i>	<i>Social factors</i>	<i>Mgt factors</i>
V <sub>1</sub>	Unemployment	0.729	-0.051	-0.337
V <sub>2</sub>	Profit motive	0.688	0.152	-0.292
V <sub>3</sub>	To be financial independent	0.648	0.01	-0.275
V <sub>4</sub>	Population	0.326	0.874	0.147
V <sub>5</sub>	Experience	-0.107	-0.361	0.564
V <sub>6</sub>	A place to retire to	-0.049	0.589	0.082
V <sub>7</sub>	Proximity to market	-0.206	0.583	0.217

Source: Field Survey, 2011, \*significant based Kaiser normalization

**Table 4: Coefficient Estimates of Probit Regression Model of the Effect of Socioeconomic Attributes of Investors on Entrepreneurship Determinants**

Variables	Parameter	Coefficients	Standard Error	Z-value
Constant	$\beta_0$	-2.924	0.151	-19.340*
Age	$\beta_1$	0.003	0.002	1.335*
Gender	$\beta_2$	0.268	0.035	8.348
Educational Status	$\beta_3$	0.017	0.004	4.848*
Experience	$\beta_4$	0.036	0.05	8.023*
Annual Income	$\beta_5$	0.182	0.032	5.609*
Household Size	$\beta_6$	0.000	0.000	-4.756*
Household Entrepreneurship History	$\beta_7$	0.004	0.010	0.392**
Source of Invest. Capital	$\beta_8$	0.079	0.043	1.815*
Nature of Ownership	$\beta_9$	-0.050	0.024	-2.120
Marital Status	$\beta_{10}$	-2.924	0.030	-2.344**

Pearson Goodness-of-Fit = 1152.480\*

\*P = 0.01(99%), \*\*P = 0.05(95%),  $\chi^2 = 1152.480$ , Pseudo R<sup>2</sup> = 0.055

Source: Field Survey, 2011

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