International Journal of Small Business and Entrepreneurship Research

Vol. 1, No. 1, March 2013, pp. 1-10

Published by European Centre for Research Training and Development, UK (www.ea-journals.org)

VENTURE CAPITALIZATION AND WEALTH ALLOCATION: THE EXPERIENCE OF PIGGERY ENTREPRENEURS IN ABIA STATE, NIGERIA

Onwumere J. and Ukpebor-Eleodinmuo P. O.

Department of Agribusiness and Management
Michael Okpara University of Agriculture, Umudike. Abia State, Nigeria.

Abstract: *This research work analyzed venture capitalization and wealth allocation, the experience of piggery entrepreneurs in Abia State, Nigeria. The specific objectives analyzed included the examination of the socio-economic characteristics of piggery entrepreneurs; source of venture capital, analyses of entrepreneur's wealth status, estimation of the factors affecting wealth allocation, analysis of the determinants of venture capital and also, to ascertain the relationship between wealth allocation and venture capitalization of piggery entrepreneurs. Data collections were carried out through a simple random sampling technique and forty (40) piggery operators were chosen from the sample frame. The means of information sourcing was via well-structured questionnaire and oral interview. The analytical techniques were achieved via descriptive statistics, correlation modeling and multiple regression. The result obtained showed that majority of the piggery entrepreneurs were young, married and had household size ranging from 6-10 person with business experience of 11-20 years. Source of venture capital was mainly formal source. Firm size, access to credit value of stock and amount of equity shares were significant factors affecting wealth allocation. The major determinants of venture capitalization included personal savings, value of assets and availability of financial institution issuing the venture capital. There was a strong positive relationship between wealth allocation and venture capitalization. Entrepreneurs wealth status is high relevant in venture capitalization. Thus, it is recommended that piggery entrepreneurs should give attention to attention to building up adequate personal savings, enhance stock value and a strengthened linkage with capable financial institutions, with the essence that these would imbue better wealth allocation and venture capitalization capacity.*

Keywords: piggery, entrepreneurs, venture, capitalization, wealth, allocation

1.0 Introduction

Livestock production is an integrated economic activity which contributes 5-6% of the Gross Domestic product (GDP) and 20% of the agricultural component of the Dross Domestic product. Livestock therefore plays a major role in the socio-economic development of the nation. Between 70-80% of the nation's population of over 120 million are engaged in agriculture and livestock industry as their key occupation. Livestock production provides continuous sources of essential food products throughout the year. It sustains employment and income of millions of people especially in rural areas. The sale of livestock products provide the major source of cash income for the purchase of consumer goods and improve the living standard of the entrepreneurs. Investing in animal husbandry is risk prone but has the potential of yielding high returns. It is risky given the attendant high rate of mortality and diseases incidence that can occur. However, the increasing marginal rate of returns in the activity cannot be over emphasized and the importance the enterprise cannot be neglected despite the risk involved (Onwumere, Nmesirionye and Ene, 2012)

The pig (*sus scrofa domesticus)* industry can be a very reliable due to certain attributes of pigs and the Nigerian production system. Pigs have a high survival rate and also have the ability to utilize a host of agro-industrial by-products and crop residues (Ter mauler, 2007) with little or no processing and at minimal cost. Pigs are known to be prolific producers, realizing 20-30 piglets from 2 or 2 ½ litters per year. Its ability under efficient management and balanced nutrition to reach slaughter weight of about 80 to 90kg in about 7 to 8 months makes it one of the most efficient feed converters. The production of pigs in an economically viable livestock system, therefore calls for the provision of nutritionally balanced rations. Dwindling profit in a pig enterprise has been reported to be a function of poor quality feeds resulting from unbalanced

rations (Adesehinwa, 1995), this arises from insufficient knowledge about nutritional requirement of the animals, the nutrient composition of the feed ingredients necessitated by seasonal variations in the availability and cost of some of the basal ingredients.

Hence, piggery operators may achieve economics of scale by accumulating wealth in piggery enterprise. Wealth therefore, is the difference of value between what the piggery entrepreneur own (assets) and what he owes (liabilities). It is the abundance of valuable resources or material possessions. Allocation of this wealth is a management problem among piggery entrepreneurs. Entrepreneurs are enterprising individuals who build capital through risk and/or initiatives. Management skill and strong team building abilities are needful for successful entrepreneurs, (Ikanni W.A, 20050).

Wealth allocation enables the entrepreneurs to channel their financial, human and material resources into various sectors effectively and efficiently. Venture capital on the other hand, is financial capital provided to early-stage and start up businesses. It is also associated with job creation, the knowledge economy and used as a proxy measure of innovation within an economic sector. The venture capitalist aims to use its business knowledge experience and expertise to fund and nurture companies that will yield substantial returns (Jeng, 2000). Piggery entrepreneurs source for this venture capital as startup capital which is expected to yield return on investment. The need for capital as a major resource for entrepreneurship empowerment cannot be over emphasized in the firm capitalization (Onwumere, Mbanasor and Nwadighoha, 2010). According to this authors capital serves as a pivot for agribusiness development, determines the limit of production, employment and investment in the industry. Wealth allocation has become necessary because of financial uncertainty associated with enterprise capitalization. Financial uncertainty and capitalization inconsistencies have plagued and plundered agribusiness investment performance in Nigeria and generally, enterprise capitalization skewed towards debt management (Onwumere, Nwosu and Nmesirionye, 2012). Thus, the need to attempt pre-empting solutions and actually solving the problems jeopardizing agribusiness firms and especially piggery enterprise through good asset and wealth management has become necessary.

This study analyzed the following objectives which included the analyses of the of the socio-economic characteristics of the piggery entrepreneurs; overview of the wealth allocation status of the piggery entrepreneurs in the three agricultural zones of the state; estimate factors affecting wealth allocation among piggery entrepreneurs and determination of the factors influencing venture capitalization among piggery entrepreneurs

2.0 Literature review

Pig (*sus scrofa domesticus)* can be very reliable one due to certain attributes of pigs and the Nigeria population system. Pigs have a high survival rate and also have the ability to utilize a host of agro-industrial bye products and crop residues with little or no processing and at minimal cost (Ajala, 2007). Pigs have been described as one of the most prolific and fast growing livestock that can convert food waste to valuable products. They excel above other red mean animal such as cattle, sheep and goat in converting feed to flesh and their annual growth rate (3.8%) is higher than that of the human population (2.30-2.80%). According to Holness [2005], traditionally, pig meat has provided a wide variety of marketable products and the opportunity must be taken to exploit this to the maximum in the developing market situation. Pig production has therefore been advocated as a short-term measure towards alleviating the animal protein and calorie deficit, especially where there are no religious edicts preventing their production and consumption. (Eusebio, 2004). But most times, pig keeping has been reported to be a secondary enterprise and represents some proportion for the income earned by household (Ogunmodede, 1995). The production of pigs in an economically viable livestock system, therefore calls for the provision of nutritionally balanced ratios. This represents between 50 to 83% of the cost of production in a commercial pig enterprise (Ogunfowora, 1998).

Dwindling profit in a pig enterprise has been reported to be a function of poor quality feeds resulting from unbalanced rations. This arises from insufficient knowledge about nutritional requirement of the animal, the nutrient composition of the feed ingredients necessitated by seasonal variations in the availability and cost of some of the basic ingredients (Omage, 2004). Further, Onwumere (2008) identified some of the major constraints to piggery entrepreneurs output to include education level of the operators, total cost of production and access to research and extension services.

3.0 Methodology

Abia State in Nigeria is the study location of work. The State was created out of the former Imo State on August 27, 1991. The study area was specifically carried out in Ikwuano, Umuahia and Aba, all in Abia State. Abia State has a landmass of 700km^2 and seventeen Local Government Areas. It is situated North of the Equator between longitude 30^{0}N. It is bounded in the East by Cross River State, on the west by Imo State and on the North by Enugu and Ebonyi, on the South by River State. Abia State consists of three Agricultural zones namely Aba, Ohafia and Umuahia. Abia State has a population of 2,833,999 million people (According to National population commission, estimate 2006).

A simple random technique was used to select forty (40) piggery entrepreneurs and information was solicited via the use of well structured questionnaire. The data was analyzed using descriptive statistics (such as tables, frequencies and pie chart) and econometric model involving correlation and multiple regression analyses.

The multiple regression model on the determination of the factors affecting wealth allocation of piggery entrepreneurs was implicitly stated as

$$Y_1 = f(x_1, x_2, x_3, x_4, x_5, x_6, x_7)\, u = 0$$

Where y= wealth allocation in naira value; X_1= the farm size in accre; $x_{2=}$ access to credit (Access=1, non-access=0); $x_{3=}$ other variable cost such as drugs, feed cost,……., water cost in naira value; x_4= labour; x_6 = equity shares in naira value; x_7 = fixed cost such as land, buildings, machine in naira value.

The multiple regression models on the factors influencing venture capitalization of piggery enterprises was implicitly stated as

$$Y_2 = f(x_1, x_2, x_3, x_4, x_5, x_6, x_7)$$

Where Y_2= Venture capitalization in naira value; x_1= age of the firm in years; x_2= registered with CAC (registered = 1, non-registered=0); x_3= source of capital (financial institutions= 1, others =0); x_4= value of assets in naira value; x_5= tax in naira value; x_6= research and development in naira value; x_7= person savings in naira value.

4.0 Result and discussions

The results and discussion are presented in the order covering the socio-economic characteristics of piggery entrepreneurs, determination of factors affecting wealth allocation and analyses of the factors affecting venture capital.

4.1 Analysis of the socio-economic characteristics of the piggery entrepreneurs

The socio-economic characteristics of the piggery entrepreneurs are presented in table 1.

Table 1: Distribution of the piggery entrepreneurs according to various socio-economic characteristics

Item	Frequency	Percentage
Age		
20-29	4	10
30-39	10	25
40-49	20	50
50-59	2	5
60 and above	4	10
Total	**40**	**100**
Marital status		
Single	1	25
Married	19	47.5
Widowed	15	37.5
Divorced	3	7.5
Separated	2	5
Total	**40**	**100**
Household size		
1-5	12	30
6-10	23	57.5
11-15	5	12.5
Total	**40**	**100**
Education level		
Non- formal	-	-
Primary	24	60

Secondary	8	20
Tertiary	8	20
Total	**40**	**100**
Years of experience		
1-10	6	15
11-20	24	60
21-30	5	12.5
31 and above	5	12.5
Total	**40**	**100**
Member, co-operative society		
Belong to co-operation	10	25
Do not belong to co-operative	30	75
Total	**40**	**100**
Source of venture capital		
Informal source	2	5
Formal source	33	82.5
Both	5	12.5
Total	**40**	**100**

Source: survey data, 2012

The analysis of the age of the piggery entrepreneurs is presented in Table1 and it shows majority (50%) of the piggery entrepreneurs are in the age range of 40-49 year. This implies that the entrepreneurs are vibrant and energetic given this age bracket which provided enthusiasm and vigor for the business. Onwumere (2008) opined that this age limit is the prime age of productivity and observed that age has remained a re-occurring and significant factor in Abia State with respect to piggery entrepreneurship, thus there is need for energetic and vibrant youths participation. Further, majority (47.5%) of the piggery entrepreneurs are married. This contributed labour and ideas in the growth of the business. Household size of the piggery entrepreneurs has majority (57.5%) with the size ranging from 6-10 persons. These household members provided cheap labour for the household business activities. Educational level vividly revealed that majority (60%) has primary education qualification, and that was followed by those who have secondary education (20%) and (20%) of the entrepreneurs have tertiary education qualification. The states of education among the entrepreneurs indicated poor status. This was in agreement with the findings of Onwumere and Nmesirionye (2011) who reported on the poor education performance among piggery entrepreneurs in Abia state, Nigeria. Also, the study revealed vividly that majority (60%) of piggery entrepreneurs have years of business experience ranging from 11-20 years. This would immensely

contribute positively to their business output due to the wealth of experience acquired in the running of the business over the years. Distribution of respondents according to membership of co-operative societies revealed that majority (75 %) do not belong to co-operative society while (25%) belonged. This would have been a disincentive loan for agricultural purposes finally; majority (82.5%) of piggery entrepreneurs obtained their venture capital from formal sources, (5%) from informal source while (12.5%) was from both formal and informal. The formal source would have boosted returns on investment in their piggery enterprise.

4.2 Overview of the wealth allocation status of the piggery entrepreneurs in the three agricultural zones of Abia State

An overview of the wealth allocation status of the piggery entrepreneurs in the three agricultural zones of the State is presented using pie chart format in figure 1

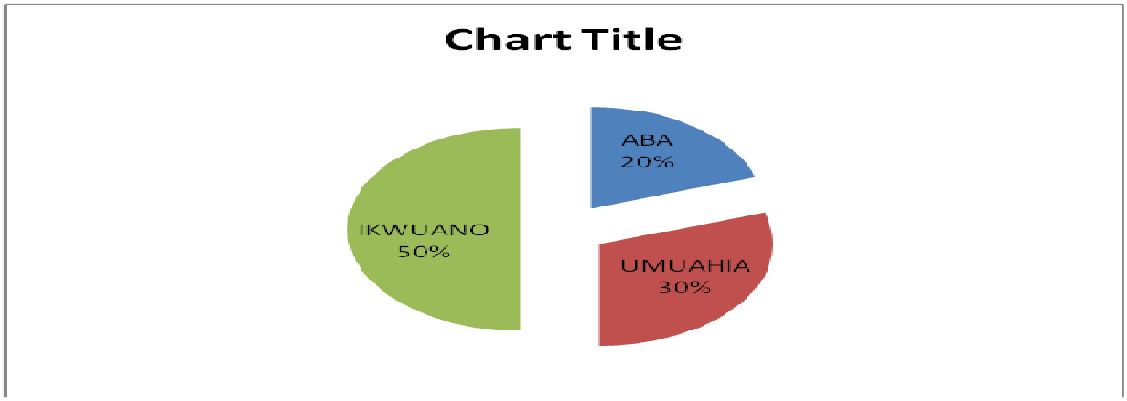

Figure 1 Wealth allocation status of the piggery entrepreneurs in the three agricultural zones of Abia State

Figure one reveals that majority (50%) of piggery entrepreneurs in Ikwuano has the highest wealth status, umuahia piggery entrepreneurs (30%) ranked second and Aba entrepreneurs ranked third (20%). The Ikwuano piggery operator having the highest wealth status could be as a result of good awareness on the enterprise and the impact of University researches on the environment, returns on investment and adequate marketing channels in the zone.

4.3 Analyses of the relationship existing between wealth allocation and venture capitalization

The relationship between wealth allocation and venture capitalization is presented in Table 2

Table 2: Relationship between wealth allocation and venture capitalization of piggery entrepreneurs

Venture capitalization	Venture capital	Wealth allocation
Person correction sig (2-tailed)	1	0.874
		0.000
Wealth allocation		
Pearson correction sig (2=tailed)	0.874	1

	0.000

Source: Field study 2012

The Pearson moment correlation coefficient shows that there was a strong positive relationship existing between wealth allocation and venture capitalization of piggery entrepreneurs at 1% level of significant. The result implies that as the wealth status of the piggery entrepreneur enhances his ability to capitalize and stabilize his venture increases. Thus, poor wealth status of some entrepreneurs reduces the business stability of entrepreneurs should any shock arise in the course of the business

4.4 Determination of the factors influencing wealth allocation among piggery entrepreneurs

The factors determining wealth allocation among piggery entrepreneurs are presented in Table 3

Table 3: Regression result of factors influencing wealth allocation among piggery entrepreneurs

Variable	Linear	Exponential	Semi log	Double log
Constant	20311.182	11.033	-8686309.7	4.542
	(0.658)	(25.777)	(-2.519)	(0.989)
Firm size	22475.589	0.452	39170.000	0.234
	(2.340)	(3.398)	(2.173)	(0.973)
Access to credit	12288.048	-0.115	7509.095	-0.127
	(4.416)	(-0.647)	(2.571)	(-0.686)
value of stock	15.801	-4.56E-005	1312.569	-0.138
	(3.270)	(-0.207)	(0.028)	(-0.220)
Equity shares	5.639	1.38E-006	1585.047	0.042
	(2.984)	(0.052)	(1.670)	(0.213)
Fixed costs	-0.001	-827E-009	-3928.913	-0.029
	(-0.988)	(-0.436)	(-0.377)	(-0.211)
Labour cost	-0.022	-6.93E-008	-10118.7	-0.018
	(-0.909)	(-0.210)	(-0.900)	(-0.122)
Variable cost	0.424	3.01E-006	84446.124	0.996
	(2.508)	(1.281)	(1.933)	(1.711)
R^2	0.646	0.287	0.610	0.271
R^{-2}	0.570	0.130	0.524	0.111

F-ratio	8.399	1.836	7.138	1.698

Source: survey data,2012

*** significant at 1%; ** significant at 5%; ** Significant at 1%

Linear functional form was chosen as the lead equation based on the value of R^2 which was 0.648. This means that 64.8% of the total variation observed in the dependent variable is accountable for, by the independent variables included in the model. The value of F- ratio which was 8.399 signifies that the model is statistically significant at 1%. Firm size, value of stock, equity shares, variable costs and access to credit were significant and positively related to wealth allocation. Firm size was significant at 5% and positively related to wealth allocation. This implies that as firms' size increased, wealth allocation of the firm increased. The increase in firm size could be the ability of the piggery operators to maximize the benefits of economics of scale.

Value of stock was significant at 1% and positively related to wealth allocation. This means that as the animals herds increased, wealth allocation also increased in other words, the increased in the revenue generated on the sale of the animal herds will result in the increase in wealth allocation of the enterprise. Equity shares were significant at 1% and positively related to wealth allocation. This implies that as equity shares increased, wealth allocation of the firm increased. Equity shares could be dividend received via bonds, ordinary shares, etc. finally, access to credit was positively related to wealth allocation at 1% level of significant. Access to credit could be loans from financial institutions. The higher the loan amount the higher the wealth allocation of piggery enterprise and vice versa.

4.5 Estimation of the factors influencing venture capitalization among piggery entrepreneurs

The estimation result of the factors influencing venture capitalization among piggery entrepreneurs is presented in Table 4

Table 4: Regression results of the factors influencing venture capitalization among piggery entrepreneurs

Variable	Linear	Exponential	Semi log	Double log
Constant	323942.34	12.789	-3808242	7.270
	(1.975)	(23.799)	(-1.667)	(1.897)
CAC REG	7274.779	0.186	-87767.47	-0.054
	(0.070)	(0.753)	(-0.619)	(-0.228)
FIN INST	3075.399	0.173	-29309.21	0.065
	(2.290)	(0.621)	(-0.198)	(0.263)
value of asset	0.053	2.93E-007	19267.754	0.230

	(0.251)	(0.582)	(0.150)	(1.056)
Firm's Age	20847.876	0.012	16831.238	0.061
	(2.142)	(0.328)	(1.729)	(0.343)
Tax	66.839	0.000	317775.39	0.518
	(2.719)	(1.719)	(1.805)	(1.755)
Personal saving	-1.956	-4.39E-006	46359.847	0.486
	(-2.482)	(-2.345)	(2.426)	(1.816)
R α Ds	336.053	0.000	340034.85	0.515
R^2	0.808	0.590	0.696	0.677
R^{-2}	0.766	0.500	0.627	0.604
F-ratio	19.241	6.567	10.126	9.273

Source: survey data, 2012

*** significant at 1%; ** significant at 5%; **significant at 10%

Linear functional form was chosen as the lead equation based on the value of R^2 (coefficient of multiple determinations) F- ratio and the conformity of the signs of regression with a priori expectation. The value of R^2, which was 0.808 means that 80.8% of the total variations observe in the dependent variable is accounted for by the independent variables included in the model. The value of F-ratio which was 19.241 signifies that the model is statistically significant at 1%. Financial institutions availability, personal savings, taxation, firms' age and research and development (R&Ds) were significant and positively related to venture capitalization. Personal savings was positive and significant at 5%. This implies that the increased in personal savings of piggery entrepreneurs will bring about increased output of the piggery entrepreneurs as long as the savings are ploughed back into the business. Taxation being positive and significant at 1%, indicates that as tax increased, venture capitalization also increased. This result was not expected but because the piggery enterprise is not well taxed in the study area that may bring about the contrary result. Financial institution was also positively related to venture capitalization at 5% level of significant. This implies that the increased in source of capital from financial institution resulted to increase in venture capitalization. Research and development was positive and significant at 1%, this implies that the increase in research and development will bring a resultant increase in venture capital. Firm age was positive and significant at 5% and this indicates that the higher the age of the firm, the greater experience acquisition and higher returns, the higher the venture capitalization of piggery entrepreneurs.

5.0 Conclusion

The determinants of venture capitalization and wealth allocation among poultry entrepreneurs in Abia State, Nigeria have been considered and analyzed in this study. The result shows that there is no uniform wealth status among the piggery entrepreneurs rather the entrepreneurs from Ikwuano appears wealthier. The analyses of effect of wealth allocation status to venture capitalization showed a positive one in the study area. And the prevailing factors wealth allocation included value of stock, firm size and access to credit while value of assets, source of capital from financial institution, taxation and personal savings were factors influencing venture capitalization respectively. From these analyses, the piggery entrepreneurs could do better if an enabling environment that improve their value of stock, firm size and access to credit

is created. These would enhance their capitalization capacity and also imbue stability in the business operation.

Reference

Adeshinwa A.O.K (1995): Swine feeds and practical feed composition techniques. In: Nation pig production. Training manual, NAERLS/ABU.pp 27-56

Ajala,M.K (2007): Enhancing production performance of smallholder pig farmers. In: pig production workshop Training manual. NAERLS, A.B.U, Zaria, Nigeria pp 100-130

Eusebia F (2004): A longitudinal Analysis of pig production systm smallholder farmers in Leyte, Philippians. Leyte state university, Leyte. Philippine.

Holness (2005): Research strategic for Development of Animal production. World Animal Review 72:9-19.

Ikanni W.A (2005): Entrepreneurship and local economic development: policy innovation in industrialization countries. Pp 77-90 in growing and financing rural entrepreneurs

Jeng F (2000): regional dusters, venture capital and entreprenurship: what can the social science tell us about silicon valley? Work paper, university of califonia, daauis

Termeulen udo (2007): Feeding farm animals on unused resources in the tropics and subtropics. Animal resource Development 22:116-127

Ogunfowora O. (1998): An evaluation of the state of development and econonmics of pig production in Nigeria. Report prepared for the federal Livestock Department, Lagos, Nigeria.

Ogunmodede. B.K (1995): Swine feeds and practical feed composition techniques. In National pig production. Training manual NAERLS/ABU. Pp 27-56.

Omage, (2004) urban backyard swine production. A case study of Kaduna. A Nigeria metropolitan city. Nigeria journal animal production 31:237 -244.

Onwumere J.(2008) Policy Issues in Enhancing the Output Of Agribusiness Small And Medium Scale Piggery Enterprises (AGRI-SMEs) in Abia State, Nigeria. Journal of Agricultural Extension Vol. 12 (2) December, 2008

Onwumere J and Nmesiriony J. A., (2011): Determinants of entrepreneur's choice preference among small scale leather agro-based investors in Aba metropolis Abia State, Nigeria Proceedings of Agricultural society of Nigeria held in Sokoto, 2011.

Onwumere J., A. C. Nwosu and Nmesiriony J.A (2012). Assessement of the effect of external capital mobilization on the equi[pment investment of bakery enterprises in south Eastern Nigeria. Internal Journal Of Economics and Management Sciences. Vol 1 No (n2012. Pp 83-89

Onwumere J., J. A Mbanasor an C.E Nwadighoha (2010) Determinants of Short term capital decisions of fast food production firms in south eastern Nigeria. Journal of Food and Fibre Production 4(2) 60-70 2010