"We Know their House, Family and Work place": Trust in Entrepreneurs' Trade Credit Relationships in Weak Institutions

Abstract

This study explores the processes of trade credit relationship development and enforcement by SME entrepreneurs and the role of trust in a developing economy context. Drawing on institutional, trade credit and trust theories data was collected and analysed from 16 SMEs owner/managers trading across cultures using qualitative interview approach and thematic analysis. The results show that SMEs develop and enforce trade credit relationships through their embeddedness in institutional contexts. Secondly, they use personal trust and specific social-cultural norms in the enforcement of trade credit agreements in absence of formal institutional trust. Conclusion, implications, limitations and further studies are delineated.

Keywords: Trust, trade credit, institutions

Introduction

Apart from bank financing, trade credit is the next most important source of external financing for SME entrepreneurs in both developed and developing countries (Demirgüç-Kunt and Maksimovic 2001; Wilson 2014; Carbo-Valverdes, Rodrigues-Fernandez, and Udell 2016). Although trade credit serves as a source of financing for SMEs selling and buying (Garcia-Teruel and Martinez-Solano 2010; Fisman and Love 2003) and enhances profitability and growth (Martinnez-Sola, Garcia-Teruel, and Matinez-Solano 2014), the delay in payments entail risks. Trust in trade credit relationships, therefore, helps to reduce the risks and enable small businesses to mobilise financial resources (Berger and Udell 2006).

Most studies in the extant literature have analysed trade credit determinants of large firms with only a few on SMEs in developed economies, particularly the US and Europe with strong institutions and accessible enterprise support for smaller businesses (Carbo-Valverdes, Rodriguez-Fernandez, and Udell 2016). In contrast, SMEs in developing economies with weak institutions, do not often receive such financial support and often rely on trust-based relationships to access financial resources such as trade credit (Amoako and Matlay 2015; Garcia-Teruel and Martinez-Solano 2010; Fisman and Love 2003). In spite of the importance of trust in trade credit relationships to SMEs in developing economies, there is a dearth of studies that examine specific dimensions of trust (Li 2016b) in SMEs trade credit relationships in developing economy context and how these affect trade credit development, management processes and practices (Carbo-Valverdes, Rodriguez-Fernandez, and Udell 2016). It is imperative therefore, to explore the dimensions of trust in SMEs trade credit development and management processes as well as practices in developing economies because it determines their growth and profitability (Pike and Nam Sang Cheng 2001).

In this article, we define trade credit as the type of credit offered when a firm purchases goods or services and the payments are delayed (Garcia-Teruel and Martinez-Solano 2010).

Trust is important in starting and growing new businesses (Welter 2012). For SMEs in particular, it is critical for building networks and accessing information from the network partners to gain market knowledge in distant markets (Altinay, Saunders, and Wang 2014) and resources such as credit (Moro, Lucas, and Kodwani 2012). Although trust is multi-faceted, multidimensional with different definitions and conceptualisations (Li 2016b), it is often characterised with perceptions of benevolence, empathy, openness, loyalty and dedication ((Mayer, Davis, and Schoorman 1995;Nooteboom 2002; Klein, Hillebrand, and Nooteboom 2005). It is generally agreed that the creation and maintenance of trust within credit relationships is a fundamental condition for the existence of trade credit and the financial services industry in both developed and developing countries. Thus, trust plays an important role in sustaining credit relationships (Moro, Lucas, and Kodwani 2012). Therefore, the main research question this article addresses is how does trust allow customer/supplier trade credit relationships to develop and be managed in weak institutional context?

We contribute to the understanding of trade credit and the role of trust in the following ways. First, it fills a gap in the literature through empirically exploring the development and management of SMEs trade credit relationships in a developing economy context. Second, we propose a model of entrepreneurial trade credit relationships and trust in a developing economy into the entrepreneurship, SMEs and trade credit literature. The model highlights the role of personal trust, parallel institutional trust based on social norms and cultural institutions in the development and enforcement of trade credit agreements in the context of weak legal institutions. Third, this study explores how trust sheds light on the dark side of trade credit. The extant literature documents the liquidity risks associated with long payment terms, which can drive credit, constrained businesses into distress (Barrot, 2016). It also emphasises liquidity fluctuations and payment default by credit-constrained customers due to their over-reliance on liquidity provided by SMEs. Our study provides empirical evidence of how entrepreneurs and SMEs in weak institutions use trust to manage and enforce trade credit agreements in such circumstances. Fourth, this article confirms the embeddedness of entrepreneurs in institutional context; but extends this through exploring how to respond to institutional weaknesses through the development of trust in trade credit relationships embedded in institutional contexts and social relations (Li 2016a; Granovetter 1985). It further explores how the institutional context within a specific developing economy affect the trust processes and trade credit enforcement. Finally, we selected Ghana for this exploratory study because currently, small businesses constitute a substantial part of the Ghanaian economy. SMEs constitute 92% of all companies and contribute not less than 70% of GDP (Peprah, Mensah, and Akosah 2016). However, like most developing countries SMEs have limited survival and growth due to a number of institutional constraints, notably, the lack of access to bank finance and limited support of the legal systems in the country (Robson and Freel 2008; Amoako and Lyon 2014; Peprah, Mensah, and Akosah 2016). Therefore, entrepreneurs rely on personalised networks and relationships underpinned by a range of less formal forms of trust building to access and enforce trade credit agreements.

The next section reviews literature on institutional theory, trade credit and trust in entrepreneurship. The methods are then discussed and the findings presented. The discussions and conclusions then relate the findings to theoretical developments and implications for theory, practice and policy on the influence of trust on trade credit and SMEs finance.

Theoretical Foundation

Institutional theory, entrepreneurial trade credit relationships and trust development

Institutions influence how entrepreneurs and firms in a country attain their economic aspirations and ultimately the growth of the economy. Institutions 'affect the performance of the economy by their cost on exchange and performance' (North 1990:4-5). In this article, we define institutions as 'the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction' (North, 1990:3). These rules are categorised broadly as formal and informal institutions (North 1990; Scott 2008). Formal institutions are rules and procedures that are created, communicated and enforced through channels widely accepted as official. In contrast, informal institutions are defined as socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels (Helmke and Levitsky, 2004). Whilst rule-based, formal institutions support 'arms-length transactions' and economic exchanges in developed economies, relationship-based, informal institutions support personalised exchanges in developing countries (Peng 2003).

In each context, institutions provide the different forms of embeddedness that encourage or discourage trustworthy behaviour (Welter 2012; Welter and Smallbone 2006, 2011). Embeddedness broadly refers to the 'mechanism whereby an entrepreneur becomes part of the structure and it may constrain or create opportunities' (Jack and Anderson 2002:467). In particular, networks underpinned by trust offer resources such as trade credit for the entrepreneur.

Institutions and trade credit

The type of institutions also affect trade credit. In countries with well-developed financial and banking systems, it is more convenient for firms to secure funds from financial institutions whilst in less developed financial markets, the sources of funds shifts to non-financial suppliers

(Demirguc-Kunt and Maksimivic 2001). Similarly, well-developed legal systems also determines the enforcement of trade credit by providing legal protection for creditors and allowing trade creditors to enforce contracts or to repossess collaterals (Demirguc-Kunt and Maksimivic 2001). Further, the culture of a given country also impact on trade credit (Wu, Firth, and Rui 2014).

In the context of developing countries, the weak institutions and lack of access to formal forms of finance render trade credit a critical form of finance for SMEs (Bruton, Bruton, Ahlstrom, and Li 2010; Garcia-Teruel and Martinez-Solano 2010a). In these contexts, financial institutions and contract enforcements are weak and as a result, financial institutions are less willing to give finance and letters of credit to SME entrepreneurs (Antras and Foley 2014; Amoako and Lyon 2014). Therefore, entrepreneurs rely on informal sources of finance particularly trade credit based on social and business networks that allow creditors to collect information about debtors' reputation (El Ghoul and Zheng 2016; Amoako and Matlay 2015) and networks that sanction defaulters. The cooperation within these networks are also based on trust and as a result, trust plays an important role in trade credit (Guiso, Sapienza, and Zingales 2004). Entrepreneurs therefore rely on trust in social relationships to strategically use trade credit to increase their sales and enhance growth of their firms (r and Love 2003; Berger and Udell 2006; Wu, Firth, and Rui 2014).

Micro determinants of trade credit

In addition to the macro determinants the literature suggests that firm-level factors also impact on trade credit. At the firm level, the firms's creditworthiness, which refers to the firm's credit capacity, reputation and ability to obtain alternative finance influences the ability to extend trade credit (Petersen and Rajan, 1997; Garcia-Teruel and Martinez-Solano, 2010a; Wilson and Summers, 2002). Hence, it is argued that old and large firms have better credit reputation compared to young and smaller firms due to their long history, economies of scale (Schwartz, 1974) and better access to bank credit (Petersen and Rajan, 1997).

A firm's ability to generate internal cash is also another firm specific factor. Internal cash generation refers to how much profit a firm can generate by itself during a specific period. Simlilarly, a firm that has the ability to access financial debt has the capacity to extend more trade credit to partners.

The cost of financial debt also influences trade credit. Garcia-Teruel and Martinez-Solano (2010) define cost of financial debt as the cost of debt divided by the total liability less accounts payable. When costs of financial debt are high, there are less incentives for firms to offer trade credit. Instead, there are incentives to rely on trade credit from suppliers. The converse is also possible as during periods with high financial costs, the cost of bank loans could become higher and as a result, firms may increase trade credit (Nilsen 2002). Trade credit is also linked to firm's sales growth strategy. Firms that aim for higher sales growth accept more trade credit to boost their account receivable (Rajan 1997). Also, firms with low sales growth can boost growth by extending more trade credit to increase sales (Wilson and Summers 2002). Firms also offer more trade credit to customers when there is higher gross profit margin (Petersen and Rajan 1997; Garcia-Teruel and Martino-Solano 2010a). Yet, firms and entrepreneurs extend trade credit to customers/suppliers based on trust.

Trust in entrepreneurial relationships

Trust is a complex concept that has been defined differently in the literature without much consensus (Li 2016b; Welter 2012). In this article, trust is defined as "an expectation that things or people will not fail us, or neglect or lack of awareness of the possibility of failure, even if there are perceived opportunities and incentives for it" (Nooteboom 2002 p. 48). This definition is appropriate for this article based on the uncertain institutional contexts in which entrepreneurs in Ghana operate. Entrepreneurs rely on trust based on the personal characteristics, past behaviour and demonstrated honesty of their partners (Nooteboom 2002), and the expectations that their partners will not default; even though, in cases of default these agreements cannot be enforced in a court of law in Ghana. Trust therefore refers to the entrepreneur's intentions to be vulnerable.

The literature suggests that there are two types of trust- personal trust and institutional or system trust. Personal trust is based on social systems, organisations and institutions and it is not based on codified rules and regulations, but rather on implicit obligations in social networks (Zucker 1986; Lyon and Porter 2009). It also results from social and emotional bonds between friends and family members. Personal trust and network ties facilitate entrepreneurship through offering greater opportunities for the development of economic relationships (Welter 2012), opportunity recognition (Jack and Anderson 2002), and enabling business creation. To SMEs, involved in international trade, trust based relationships of the entrepreneur be it between customers, suppliers or other agents are critical to their survival and growth (Oviatt and McDougall 2005; Mustafa and Chen 2010; Amoako and Lyon 2014). In particular, trust in relationships facilitates access to trade credit in international markets (Fisman and love 2003; Antras and Foley 2014**).**

Institutional trust can be developed based on strong formal institutions such as courts that enforce contracts, intermediary organisations such as government agencies and banks or individuals who are trusted by the two parties (Klein, Hillebrand, and Nooteboom 2005; Zucker 1986**).** Nevertheless, actors in inter-firm relationships benefit from reliable institutions only if they trust those institutions (Mollering 2006). Hence, in uncertain institutional contexts such as those found in developing economies where there are weak formal institutions, the development of institutional trust is low and interpersonal trust may complement or substitute for institutional trust (Li 2016a).

In inter-organisational relationships, trust is influenced by the attitudes, characteristics and behaviour of entrepreneurs, managers and other boundary spanners who influence the norms of interfirm opportunism or cooperation (Zaheer, McEvily, and Perrone 1998). Yet, trust in entrepreneurial relationships can also be developed based on the characteristics of a firm, industry or association (Zaheer, McEvily, and Perrone 1998; Gillespie and Dietz 2009). However, scholars disagree on whether organisations can be trusted because, originally, trust is regarded as an individual-level phenomenon (Levi 1998; Zaheer, McEvily, and Perrone 1998). Instead, scholars argue that formal organisations can be viewed as forms of institutions (Welter and Smallbone 2006) in this way organisational trust is subsumed in institutional trust. Hence, in this article, organisational trust is subsumed in both personal and institutional trust. This is due to the owner/managers' dominant role as key boundary spanners and decision makers for their organisations (Zaheer, McEvily, and Perrone 1998).

Trust and trade credit relations

Trust plays an important role in trade credit and the creation and maintenance of trust relationships are a fundamental condition of their existence ((Guiso, Sapienza, and Zingales 2004). Nonetheless, the level and determinants of trust in inter-organisational relationships in any given context is also influenced by cultural norms (Saunders, Skinner, Dietz, Gillespie, and Lewicki 2010**;** Zaheer and Kamal 2011), and more so in trade credit relationships in contexts with weak institutions (Wu, Firth, and Rui 2014). Yet, current research on trade credit mostly focus on surveys to analyse firm specific and macro environmental determinants in developed countries (e.g. Berger and Udell, 2006; Garcia-Teruel and Martino-Solano, 2010), while paying less attention to the characteristics and behaviour of entrepreneurs (trustors) and trade debtors (trustees) in the processes of trust development and the role of trust and cultural institutions within trade credit relationships and how they enable trade credit to be accessed and enforced in countries with weak institutions norms (Wu, Firth, and Rui 2014) .

In the context of international business, it is known that the size of trade credit correlates with the level of trust within relationships between trading partners; yet, very little is known about how trust in trade credit is developed and how trade credit payments are enforced in developing economy contexts where there are weak institutions (Antras and Foley 2014; Cowton and San-Jose 2017). In these contexts, entrepreneurs have less recourse to formal forms of finance from financial institutions such as banks (El Ghoul and Zheng 2016; Amoako and Matlay 2015), hence trade credit management and practices may determine liquidity and profitability (Pike and Nam Sang Cheng 2001) and may impact on trust development in trade credit relationships.

This article addresses these gaps of how trust allows trade credit relationships to develop and be managed in a developing economy context. It particularly investigates how trade credit is enforced paying particular attention to the roles of; the entrepreneur (trustor), the partner (trustee) and cultural specific norms in a developing economy context where financial and legal institutions are less developed.

Figure 1 sums up the conceptual framework developed from the literature. It shows that entrepreneurs' embeddedness in institutions shapes their trust building processes in trade credit relationships. Whilst in developed countries with strong formal institutions, entrepreneurs rely mostly on formal finance and trade credit to support and grow their businesses, in developing economies with weak institutions, such financial support is very rare and entrepreneurs rely on informal forms of financing particularly trade credit to grow their businesses. While institutional trust based on strong legal systems underpin accessing and enforcing trade credit in developed economies, in developing economies, entrepreneurs rely on personal trust and parallel institutional trust in less formal institutions and social relations to access or enforce trade credit agreements.

[Insert Figure1 here]

Methodology

This study employed a qualitative research approach to explore and understand the respondents' interpretations of trust building in SME trade credit relationships due to the novelty of the topic. The qualitative research was appropriate for this study due to the limited research on trust in trade credit relationship, which is embedded in developing economy context, and the entrepreneur's interactions and meanings (Crotty, 1998). The approach is also synonymous with entrepreneurship studies using institutional theory.

Using the purposive sampling technique (e.g. Amoako and Lyon 2014) 16 cases of SMEs were selected from the services and manufacturing sectors, eight from each sector comprising of eight SMEs selling specifically to customers from West Africa and another eight from markets outside West Africa. The two sectors and markets were selected to enable an investigation into the similarities and differences between the markets and the sectors (see Constanzo, Vurro, Foster, Servato, and Perrini 2014). The differences between the two sectors may accrue from the intangible nature of services compared to manufactured goods that are tangible and can in most cases be retrieved if the creditor defaults. The cultural norms at play between the West African and International markets are also different and therefore it is expected that trust development and trade credit practices may be different between the two markets (Wu, Firth, and Rui 2014). The 16 multiple cases used assisted to uncover the key themes in the study (Guest, Bunce, and Johnson 2006), and facilitated the study of patterns related to the two different markets and sectors (Miles and Huberman 1994; Yin 2009). Since there is no single list of small firms in Ghana (Robson and Freel 2008), these quotas were selected based on visits to Chamber of Commerce meetings, export forums, trade fairs, ports and open markets. Between 30 June 2014 and 31 August 2014, 15 owner/managers and a manager were contacted and interviewed (see Table1) for the profiles of the entrepreneurs and their firms. Entrepreneurs owning and managing 16 SMEs were interviewed and the in-depth exploratory semi- structured interviews enabled an in-depth understanding of complex and sensitive issues of trust and credit relationships in developing countries (McGowan et al. 2015).

[Insert Table 1 here]

Primary data was collected through semi-structured interviews lasting between one hour and one hour thirty minutes with each of the respondents. The interviews were done at the workplace or entrepreneurs' home, depending on where they felt comfortable. After the first round of interviews and the initial analysis, a follow-up interview lasting 25-30 minutes with each of the 16 entrepreneurs was conducted during summer 2015. This helped to explore deeper into emergent themes, particularly on the processes involved in how entrepreneurs developed trust in trade credit relations.

During the conversations, a critical incident technique was used to investigate how entrepreneurs reacted to incidents that happened. The critical incident technique allowed the capture of very critical subjective meanings that are essential elements of understanding how entrepreneurs developed trust. More information was requested on issues relating to dimensions of trust judgement, and the role of indigenous institutions in trust building and trade credit relations, and it was ensured that misinterpretations during the interviews were minimized through seeking clarification on salient issues. The interviews were transcribed and the data analysed manually by firstly using open coding (Corbin and Strauss 2008; Altinay, Saunders, and Wang 2014) to identify the concepts that have emerged and grouped them into categories to generate the first-order concepts. At this stage, the respondents' descriptions, and the key terms and phrases as well as issues were categorized to facilitate the identification of similar issues from the data. This was followed by the axial coding which entailed identifying the relationship between trust and the development of trade credit which resulted in the categorisation of the first-order themes into second-order categories (Corbin and Strauss 2008). The second-order themes were then aggregated into trust dimensions based on the original data (see figures 2 and 3), and mapped to the initial conceptual framework in figure 1 to explain the relationship. The themes and categories were reviewed several times to confirm the validity and refined into a coherent framework (Figure 4), that explains trust development and enforcement of trade credit in a developing economy. From the analysis, we observed two broad approaches to how trust is developed based on the actions and characteristics of the partner as well as on the context and particularly on the social, cultural and industry norms. We also uncovered the approaches used by entrepreneurs to enforce trade credit agreements. We used manual coding in order to thoroughly interrogate the data due to the small sample involved in the study and the importance to focus on depth and meaning rather than volume and breadth of the data (John and Johnson, 2002). This was important as while software like NVIVO can add rigour to the analysis of qualitative data particularly with large data sets, there is evidence that the existence of multiple synonyms and the way different respondents express similar ideas differently in different contexts might lead to partial retrieval of information (see Welsh, 2002; Brown et al 1990). Given the complex nature of trust and the influence of context on trust perceptions of trustworthy behaviour, it was important to manually scrutinise the data to ensure that all the expressions of trust were fully captured.

[Insert Figure 2 here]

[Insert Figure 3 here]

Using the initial conceptual model developed as a basis, we developed a framework of the processes of building trust within trade credit relationships between the entrepreneurs and their trade credit partners in a developing economy from our empirical findings. The analysis also focused on how the context (Welter, 2012), particularly the social relationships and informal institutions shape trust building in trade credit relationships and how trust enhances the enforcement of trade credit in an environment characterised by weak institutions. The next section presents the results on how entrepreneurs developed trust in SMEs trade credit relations.

Findings

Trust development in trade credit relationships

In this section, we presented the findings of the study using the developed framework from the empirical findings in Figure 4 below. The first part explains how the embeddedness of entrepreneurs in institutions in their context assist with the development of trust in trade credit relationships. The second part then explores the types and the specific dimensions of trust developed in entrepreneurial trade credit relationships, and the final part discusses how trust is used to enforce trade credit contracts.

[Insert Figure 4]

Entrepreneur’s embeddedness in institutional contexts in Ghana

The results from the analysis depicted in Figure 4 show that all the entrepreneurs draw on their embeddedness in the institutional context for building trust in entrepreneurial trade credit relationships. Even though their trust decisions were made based on strategies for their firms and how they perceived trustworthiness, the (weak) formal institutions and informal institutions in the country influenced their trust judgements and those decisions.

Interestingly, the vast majority of the entrepreneurs made repeated references to the lack of access to finance from the banks as a barrier to their activities and therefore their reliance on trust in relationships to enhance access to trade credit. An exporter of beads explained the predicament of entrepreneurs in the following words: ‘Four years ago I went to my bank, I needed money to grow my business and they asked me to bring collateral like a four-year old car which I didn’t have’ (Number 9). Another barrier to entrepreneurs is the lack of assistance from the courts on effective contract enforcement. A hotelier summed it up in these words: ‘the legal system is not very supportive, it takes too long to resolve disputes with business partners and I may have to pay money to people like the judge in the court which is a waste’ (Number 1). The lack of trust in the legal system means that entrepreneurs have to rely on personal trust and trust in alternative institutions such as trade associations in offering trade credit to partners.

Trade credit and trust in entrepreneurial relationships

All the entrepreneurs stated that they had offered trade credit to their key customers and suppliers in domestic, West African and intercontinental markets within the past year. Trade credit varied from delaying payments for goods to the advancement of smaller amounts of cash loans towards capital investments. The trade credit management practices employed by the entrepreneurs also varied and the length of time for repayment ranged from a few weeks to months, depending on the nature of the specific relationship, market, industry and association.

The entrepreneurs emphasised the importance of trade credit to the competitiveness of their businesses. From the analysis, trade credit extension to customers and suppliers helped to boost sales and facilitate reliable supplies. Thus, entrepreneurs who do not offer trade credit to their suppliers or customers could find themselves at a disadvantage compared to their competitors who were prepared to offer it. An entrepreneur who exports to Canada, USA and UK markets pointed this out in these words:

…There is competition in the business so it is those of us who are able to support the suppliers with credit that get the supplies (Case 6).

The next section explores how the processes and dimensions of trust are employed by entrepreneurs in weak institutions to extend trade credit to their partners and mitigate the challenges they encounter in their trade credit relationships.

Dimensions of trust judgements in trade credit relationships

The responses from the entrepreneurs in relation to their decisions to offer trade credit to trusted partners revealed that trust is developed based on the trade credit partner's honesty, capacity to pay, willingness to pay and liquidity concerns based on payment history. Further, the entrepreneurs drew on family/kinship/friendship norms, trade associations, the industry and reputation of their partners to develop trust in their potential trade debtors.

[Insert Table 2 here]

Honesty and trust development in trade credit relationships. It was found that all the entrepreneurs advanced trade credit to customers or suppliers who they perceived to be honest. To the entrepreneurs, honest partners are those customers and suppliers who were truthful to their words. The following quotes from the Shea butter processor confirms this:“…they must be honest, they must be straight forward and they must be able to abide by their word” (number 7). Hence, the entrepreneurs’ trusted partners are the ones who spoke the truth. Interestingly, to the entrepreneurs, speaking the truth was closely linked to keeping promises to pay trade credit. The processor of fruits echoed their views: “…Basically, it is about payments; after trying the owner/manager of my key partner company and having observed how he kept their promises with regards to payments, I became impressed and trusted them” (Number 8). However, the processor of spices exercised caution with trusting partners and said that: “we start a little at a time” (Number 5). Honest partners therefore, are the ones that have been tested over a number of transactions.

Capacity to pay and trust development in trade credit relationships.

The data revealed that to start a trade credit relationship, three quarters of entrepreneurs paid visits to the working places and homes of (potential) trade credit partners to ascertain their honesty and their capacity to pay. The visits are important to entrepreneurs since in the Ghanaian and in the West African context, there is lack of credit history of individuals and companies therefore, knowing where trade credit partners worked and lived was a priority to the entrepreneurs for developing trust. The following excerpt support this finding:

“We don’t agree with every proposal for trade credit. First we visit the company to see where the company is located, assess their assets and check if what the manager told us about the company’s capacity to pay is true” (Number 12).

Further, the entrepreneurs also assessed the trade credit partners’ sales. Assessing the ability to sell was critical as it reflected the cash flow of the potential trade credit debtor and hence their capacity to pay. A fashion designer explained that: “…I give credit to customers, from the onset I see how much you can buy, distribute and sell before I decide” (Number 14).

Willingness to pay and trust development in trade credit relationships. The results further show that half of the entrepreneurs offered trade credit to customers and suppliers who voluntarily invited them to their homes and business places. A Wholesaler of African beads explained that "…Most of them even invite me to their houses to let me know where they are so in case they default I'll go to their business place and house" (Number 9). The manufacturer of cocoa products also explained the importance of accepting to visit – "…I accept invitations to visit the person and if the person can be located, is honest and would not run away with my money, but would come back to pay, I will give them the credit" (Number 15).

The invitations to customers and suppliers' homes and business places is very important because it enables the entrepreneurs to locate their potential trade creditors in cases of default. Interestingly, only two entrepreneurs took a greater risk by extending trade credit to partners they did not know based on their gut feelings. But, this happened when the customers voluntarily provided the details of their homes and or business locations to the entrepreneurs to signify their willingness to pay. The exporter of Kente cloth (colourful traditional cloth) illustrated that: "…I trusted them and gave them the goods on credit and when I went to their home, they paid the money back to me and that is where the story started" (Number 3).

Another indication of a partner's willingness to pay cited by a quarter of the entrepreneurs was the reciprocal sharing of market information. A hotel manager explained why:

"We talk regularly and if he has difficulty and cannot meet payment deadlines he explains to me as we talk; we have good communication and so he trusts me and I trust him" (Number 2).

Liquidity concerns and trade credit development in entrepreneurial relationships

The final indicator of trust in trade credit relationships is liquidity concerns. The entrepreneurs stated that the part payment for goods or services supplied or timely payment of trade credit by partners is a key determinant of trust in trade credit relationships. Part-payment is particularly important when the trade credit relationship is relatively new and trust was not fully developed. An entrepreneur exporting to the USA explained that: "When the customer has not bought from us for a long time, we insist on at least a 50% part-payment and then the rest after delivery. This arrangement gives us enough money to operate and those that agree to these terms can be trusted" (Case 8).

In both new and old trade credit relationships, in cases of default, the relationship were either be maintained or terminated based on the credible reasons or explanations given by the partner to assure the entrepreneur that delayed payments were not their fault and would not be repeated. In contrast, in cases of trade credit default where partners had not offered credible explanations the relationships were terminated due to liquidity concerns.

Informal (parallel) institutions and trust development in trade credit relationships

The critical analysis of the data showed that apart from the behaviour of the trade credit partners, trust judgements were influenced by the specific cultural norms of indigenous institutions in Ghana. These were the norms of: family/kinship/friendship, trade association and industry as well as reputation.

[Insert Table 3 here]

Norms of family/kinship and friendships and trust development. Norms of 'family/kinship' and friendship are important in building trust with partners. Hence, all the entrepreneurs referred to their close trade credit partners as family members even though they were not necessarily family members or personal friends. A hotel manager who referred to a trade credit partner as a sister illustrated: "…As I told you she is my sister but not real sister, but she is my sister because we trust and support each other just like sisters" (Number 1). The response from a manufacturer of beads explained how norms of family shaped trust in trade credit relationships: "…After sometime we get to know each other better and we become like a family so we help each other" (Number 6). Based on family and friendship norms all the entrepreneurs accepted invitations to attend social functions like funerals and weddings and other family events of particular local customers and suppliers.

Norms of religion and trust development. Religious norms were also influential in the development of trust in trade credit relationships in domestic and West African trade. Nearly a third of the entrepreneurs mentioned that shared norms of religion promoted trust building due to shared faith, beliefs and values. Evidence of the role of religious beliefs came from references to the norms of brotherliness, fairness, reciprocity and prayers. An engineer explained how Islamic values cemented relationships between him and his customer in neighbouring countries. "…We Muslims, are brothers and when we meet another Muslim in another country we regard him as one of us and so we understand each other in this business" (Case 10). Similarly, a Christian who exports beads explained that : "…She is a Christian and I am also a Christian and both of us believe in fairness and helping one another and so we get along very well" (Case 9).

As declared by the two entrepreneurs, religious beliefs and values helped to build trust among some of the entrepreneurs and their partners. Interestingly, about two thirds of respondents expressed that they did not consider religious affiliations in choosing whom to offer trade credit and their credit relationships spanned religions. Another informal institution that was repeatedly cited as promoting trust building was trade associations.

Norms of trade association/industry and trust development. In the absence of strong legal and enterprise supporting formal institutions in Ghana and West Africa, all the entrepreneurs were found to be members of trade associations. The association norms enhanced trust building based on friendships and sharing of information (mostly through gossip) on colleagues' honesty and whereabouts to potential customers in domestic and international markets. In domestic and West African markets, the associations developed culturally specific norms regarding the provision of credit. The norms, however, differed based on the industry and the local context. All the entrepreneurs who extended credit emphasised that repayment of credit was the most important indicator of trustworthiness.

Reputation and trust development. Trust in trade credit relationship could also be developed based on the partner's reputation at home, workplace, community or in the trade association. An entrepreneur who is a member of the Cashew Processors and Exporters Association (CASPEA) explained that: "…I supply fruits on credit to a customer who is also a member of the association. He was recommended to me as very good in the (export) sector and everybody in the association knows that" (Number 4).

During the visits to the homes and working places of (potential) partners, the entrepreneurs interacted with family and community members to collect information on their partners' reputation based on gossip, before agreeing to extend trade credit to them. The cocoa processor explained: "When I visit, I ask some few people around you, if they say you're trustworthy then I will give the goods to you on credit (Number 15).

Trust was also based on intermediaries who testify to the reputation of partners by serving as witnesses during trade credit agreements between a fifth of the entrepreneurs and customers they had never met. The intermediaries served as witnesses who might be summoned in cases of default**.**

While norms and reputation underpinned trust development processes in both the manufacturing and service sectors as well as the domestic and West African markets, they were not considered to be very relevant in markets outside West Africa, particularly, in the West because of the prevalence of stronger formal institutions that are often used for contract enforcement in such markets.

The key challenge faced by the entrepreneurs is the enforcement of trade credit agreements in relationships based on trust and this is explored in more detail in the next section.

Trade credit enforcement

Trade credit enforcement was identified as a major challenge as all the entrepreneurs recounted their experiences with some customers and suppliers who breached trade credit terms by for example a) disappearing after receiving goods, services or cash on credit b) not paying trade credit on time c) telling lies about the time of depositing trade credit money at the bank.

To mitigate these breaches and enforce trade credit agreements, thirteen entrepreneurs did not go to court but instead relied on trust. In domestic and West African markets, entrepreneurs indicated that personal trust and trust in indigenous institutions particularly family/kinship, trade associations and religion enabled them to enforce trade credit agreements. The use of these institutions was enhanced by entrepreneurs' knowledge of the homes, business places, family members, church leaders and trade associations of their trade credit partners.

In cases of trade credit default, a third of entrepreneurs contacted family members of the partner to solicit for help in getting their goods or their money back. An entrepreneur shared her experience on contacting family members:

"…Sometimes I could also go to the husband, mother or any family member to complain if I know them and in all such cases the money is paid back to me" (Case 7).

The norms of the family require members to guard the reputation of the family and as a result, they might serve as guarantors, advice the debtor to pay and even pay the debt in certain circumstances. Family and kinship norms, therefore, remain an important institution that enhances the offering and enforcement of trade credit in entrepreneurial relationships in Ghana and West Africa.

A small minority (only two) of the entrepreneurs explained that when they did not know the homes and family members of their trade credit partners, they went to the shops and working places of their partners who defaulted and physically removed their own products and at times other products that were equal to the amount owed. However, this approach was used only in the domestic market due to the potential resistance and violence that could ensue should the debtor refuse to cooperate. Given security concerns and the complexities in legal systems in West African markets, six of the entrepreneurs recounted that they preferred to rely on leaders of trade associations to enforce trade credit payments. The trade associations served as 'parallel courts' that used the norms of the associations to resolve disputes and enforce trade credit payments. The fashion designer explained how trade association works in a West African market:

I can go and see the trade officer at the embassy in Abuja for him to find a lawyer for me. But you imagine the money involved and the time. That is why I belong to the association there, they settle payment problems quickly and free of charge (Case 14).

Two of the entrepreneurs stated that in places where there were no trade associations they relied on intermediaries particularly embassy staff and trade fair organisers. A fashion designer explained her experience in a West African market in the quote below:

"…I felt very bad and stopped with my customer in Nigeria…He delayed me and the time I should have left, passed by. Even it was the organisers of the fair who intervened otherwise maybe he wouldn't have given me all the money" (Case 13).

Religious norms were also deployed in enforcing trade credit payments. About a third of the entrepreneurs had relied on prayers and religious leaders, including Pastors and Ministers of religion, Muslim leaders (*Imams)* and traditional priests *(Akomfoo*) instead of the courts in mediating disputes and to enforce trade credit agreements with partners in domestic and West African markets. An auto engineer and a hotelier explained their use of religion in the quotes below respectively:

"The court processes is too long and then you spend a lot of money; so it is better for me to pray and leave everything into God's hand and I believe in the word of God that say he will rebuke every devourer for my sake" (Case 10).

"At times I talk to my pastor to pray for me or the pastor of the debtor to intervene or take an egg and tell the person that I am going to *'Botwerewa*" (traditional god in Ghana) to invoke curses on them; some people get scared because they have beliefs in those gods" (Number 2).

Religion, therefore, provides avenues for trade credit advancement based on trust in fellow believers, and prayers, religious leaders and deities assist in enforcing trade credit agreements. However, religion was less effective in international markets outside West Africa.

A quarter of the entrepreneurs experienced exploitation from dishonest trade credit partners in international markets. The goldsmith recounted his story in international markets:

"…talking about the foreign businesses some of them are crooks. Beginning they were cheating on me and complaining that the gold is not up to standard and so I got an agent abroad who would say that okay I would be there in a few minutes then immediately the customer would call back and say it is alright" (Case 16).

In spite of the effectiveness of agents in the recovery of trade credit in international markets, the vast majority of the entrepreneurs trading outside West Africa disclosed that they could not hire agents due to the costs involved. Instead, they kept contacting the defaulters by phone or email and at times succeeded in getting the trade credit paid. Sadly, two of the entrepreneurs commented that some of their international partners had refused to respond to their calls and emails. The cocoa products processor shared her experience:

"I attended a trade fair at Excel in UK two years ago and one guy who have been buying the products met me there and requested for more products on credit but up to now I have not received the money, when I call him he doesn't pick my calls any more. I know his details, where he was but he will not pick my call" (Case 15).

The refusal of international trade credit partners to communicate at times was re-echoed by half of the entrepreneurs. Consequently, to mitigate risks in international transactions, they reduced the amount of goods or cash offered on trade credit to their trading partners and also insisted on part payments. An entrepreneur explained her strategy in these words:

"We used to give many credits and the money would never come back, sometimes up to 6 months and so we realized that this affected our cash flow. Now I try to minimise risk, we offer a 50% credit to our foreign customers. I also take insurance for loss or damage in transit" (Case 7).

These strategies allowed majority of the entrepreneurs to reduce the risks from free-riders in international markets. Table 4 presents a summary of the strategies used by entrepreneurs in enforcing trade credit with their partners.

Conclusions

This article explored the processes of trust development and enforcement of trade credit agreements in entrepreneurial trade credit relationships in a developing economy context. The findings identified three broad areas in which entrepreneurs develop trust in trade credit relationships. We identified the embeddedness of entrepreneurship as a key aspect of the trust development process. While the results confirm existing studies on the embeddedness of entrepreneurs in institutional contexts, it sheds more light on how entrepreneurs' trust development processes and trade credit enforcement were shaped by cultural specific norms.

This article also investigated the processes of trust development in entrepreneurial trade credit relationships in Ghana. It shows that trust was developed based on a partner's honesty, capacity to pay, willingness to pay and liquidity risks posed the partner. The entrepreneurs, therefore, evaluated the actions or behaviour of their partners based mostly on previous transactions (Dietz, Gillepsie and Chao 2010). Partners who had consistently shown that they were honest and truthful, by keeping their promises to pay trade credit as promised were regarded to be honest. Honesty, however, meant more than paying trade credit on time as it also implied that the partner kept promises and did not deceive or mislead the entrepreneur. Although trust enhances trade credit in developing countries with weak institutions, there is limited empirical evidence and integrated framework on the development and management of trust in trade credit relationships (Wu et al, 2014).

This article, therefore, bridges the gap in the academic literature through the exploration of how the specific processes and dimensions of trust are developed in trade credit relationships in a developing country context. Using extant literature, a conceptual framework was initially developed which integrated and compared trust processes and dimensions from both developed and developing economies. The conceptual framework therefore applies to both developed and developing economy on trade credit relationship development. The framework was then extended based on the primary data to develop a comprehensive empirical model, which effectively integrates trust processes and dimensions in entrepreneurial trade credit relationships in a developing economy context. The novelty of these findings can be found in the embeddedness of the entrepreneurs in their institutions and the specific trust processes and dimensions developed as shown in the framework (Figure 4). The empirical framework shows that in Ghana, a context of weak legal institutions, entrepreneurs develop personal trust and parallel institutional trust based on norms of social and cultural institutions such as family/kinship and friendships, community and trade associations and religion to provide trade credit to their customers or suppliers and to enforce trade credit agreements. Furthermore, trust in local institutions such as trade associations and religious institutions was particularly important in distant markets in Ghana and West Africa, where there was a lack of previous knowledge of potential trade credit partners (Amoako and Lyon, 2014). The empirical model therefore highlighted vast differences between the processes and practices of trust in trade credit relationship between the developed and developing economies (see figure2).

However, the study also identified rich evidence of how entrepreneurs in Ghana and West Africa employ trust in a subjective approach to manage liquidity issues and to determine the continuity or discontinuity of trade credit relationships. The findings illustrated that timely payment with credible explanation or reason based on circumstances beyond the partner's control could lead to the continuation of trade credit relationships despite default in a payment agreement. It also identified an approach of using the part payment to offset risks to liquidity when partners are not well known.

The majority of the entrepreneurs however, made it explicit that they visited their partners to collect information on their capacity to pay based on the value of their assets and or on their reputation. This approach is very important since in Ghana and West Africa, there is limited public information on the credit history of individuals and firms (World Bank 2015). Therefore, knowing where trade credit partners work and live allow the entrepreneurs to control their trade credit partners in cases of default. This shows how entrepreneurs as agents respond to institutional constraints to manage trade credit relationships in a developing economy context. Interestingly, entrepreneurs' approaches to lending trade credit to their partners in these weak legal contexts are similar to relationship lending approaches used by banks. In relationship lending, banks gather different types of private information from the owner manager, the firm and the local community in order to assess the risks associated with lending to that particular firm (see Berger and Udell 1995; Berger and Udell 2006; Moro, Lucas, and Kodwani 2010).

The results of the exploratory study suggest that in the midst of minimal legal protection in Ghana, entrepreneurs rely on trust in order to offer trade credit to their trading partners and also to enforce trade credit agreements. This observation is not very different from a number of African countries where entrepreneurs are found to rely on trust-based informal relationships to leverage relational resources in enhancing trade and internationalisation (Ibeh, Wilson, and Chizema 2012). In Asia, the Grameen Bank in Bangladesh and many other micro credit providers also rely on trust in social relations to sustain the provision of micro finance to entrepreneurs who are mostly poor and therefore lack access to formal bank finance (Dowla 2006). Chinese entrepreneurs who have immigrated to Brazil also rely on trust and social relations to access informal finance (Sheng and Mendes-Da-Silva 2014). These informal forms of finance enable entrepreneurs and smaller businesses with limited access to formal forms of finance to increase sales (Fisman and Love 2003) and also get access to reliable supplies and international markets. Thus, the empirical model in this study although developed from the West African developing countries, it could be applied to other developing economies as a basis for understanding trust in trade credits relationship; however, such applications must consider the differences in institutional contexts, norms and expectations in social relations, trade associations, sector industries and markets in these developing economies.

The findings of the study have both theoretical and practical implications. Theoretically, this article contributes to the literature on trust in entrepreneurship and small business finance using a qualitative approach to capture and develop a framework of trust in SME trade credit relationships. The article proposes a well-developed model for developing and managing trust in trade credit relationships in developing countries. In developing trade credit relationship, it is important that entrepreneurs understand the different trust processes and dimensions to employ. Thus, researchers can use the model for further research.

It also contributes to an understanding of the importance of institutional factors in trust research- an area where there have been calls for more research recently (Li 2016b; Welter 2011). The findings, therefore, illustrate that the conceptualisation of trust may differ based on institutional contexts and especially on norms and expectations in social relations, trade associations, sector industries and markets.

The extant literature has mostly focused on analysing the influence of trust and trustworthiness in bank lending. However, there is limited research on the role of trust in trade credit which remains a major source of finance for entrepreneurs and SMEs particularly in developing economies (see Moro, Lucas , and Kodwani 2012; Demirgüç-Kunt and Maksimovic 2001; Wilson 2014; Carbo-Valverdes, Rodriguez-Fernandez, and Udell 2016). This article therefore, enhances our understanding of the risks that entrepreneurs from developing economies may encounter in international business and how trust in relationships facilitates the provision of trade credit and enforcement of trade credit agreements.

The findings also have practical and policy implications. It shows that in weak institutional contexts, entrepreneurs involved in international business rely on social relations and indigenous institutions to build trust, and offer and enforce trade credit agreements. Consequently, for entrepreneurs selling and buying across cultures in these contexts, there is a need to understand the different social and indigenous institutions and their norms that form the basis for trust building in trade credit relationships. Furthermore, to entrepreneurs who seek informal forms of finance from trade partners, this article shows that honesty, truthfulness, keeping promises and making timely payments of previous trade credit, as well as the capacity to pay and reputation, are important factors that influence the creditor's decisions to offer or not to offer trade credit to prospective partners.

By highlighting the risks and uncertainty encountered by smaller businesses in their trade credit relationships, this article further highlights the need for policy makers in Ghana, West Africa and other developing nations to embark on reforming the formal institutions that can support enterprise development. Policy makers must focus on reforming the legal systems, reducing tax burdens and lowering interest rates to provide affordable finance to SMEs. The policy should also consider implementing credit guarantee schemes for smaller businesses involved in international business. Policy makers and donors should also support the role of indigenous institutions such as trade associations since the evidence in this paper show that these associations may serve as alternatives to the courts in commercial contract enforcement and therefore facilitate SMEs growth.

This study has a number of limitations that offer opportunities for future research. This study explored the development and management of trade credit relationships in a developing context using a qualitative study approach to develop an empirical model. Future studies could test the model using a quantitative approach to extend the study in multiple developing countries. This study could explore how the trust processes and dimensions in SMEs trade credit enforcement and relationships may differ in the different contexts and social norms of developing countries. Further, comparative studies using the conceptual framework could be conducted to compare trust development, management, processes and dimension in developed and developing countries. Future research could also explore how trust in trade credit relationships impacts on the financial performance of SMEs in developing economy contexts. Trust is fragile and its violation can lead to the termination of trade credit relationships; although, the present study explored how trust in trade credit relationship impacts on enforcement and performance; future research could explore trust violations and trust repairs within SME trade credit relationships across different cultures. Furthermore, such a study could probe into the liquidity issues in trade credit relationship development and management in both developing and developed economies. Such a study could focus on exploring in detail the differences in the causes and effects of liquidity issues in these economies and how their institutional and social contexts affect the development of trust in trade credits enforcement to confirm and extend the present findings in different context and sectors.

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Appendix 1: Interview Schedule

Interview Protocol for Trust Development and Trade Credit Enforcement in Entrepreneurial Relationships

1. What are the sources of loans and finance for your business and can you explain why you rely on those sources?

2. Could you please describe any key customer or supplier relationships in Ghana and abroad?

3. How do you pay for goods/services supplied by your key supplier?

4. How do you get paid for the goods/services supplied to your key customer?

5. What company factors do you consider before deciding to offer trade credit to the owner/manager of a partnering company?

6. What personal attributes, actions and behaviour of your partner enable you to develop and maintain trust in trade credit relationships?

7. Could you please describe how you arrive at a decision to offer trade credit to your partners?

8. What are the advantages and disadvantages of trade credit to your business?

9.Please can you recall giving trade credit to a customer or supplier who defaulted, if yes what did you do?

10. Do you use the courts in settling trade credit agreements? If so why? If not how do you settle trade credit disputes with your partners?

11. What is the role of trust in developing and maintaining trade credit relationships with partners?

12. How much was your total sales for the past 12 months?

13. How much of your goods/services were given on credit within the past 12 months

Table 1: Profiles of Cases

Case	Employees	Activity	Sector	Main International Markets	Sales per year (USD)	Total value of goods/services given on credit last 12 months (USD)	Interviewee
1	37	Hotel and conference facilities	Service	USA, UK, EU	748,000	251,000	Manager
2	12	Hotel	Service	USA, EU	235,000	85,000	Owner/Manager
3	9	Retail of Kente	Service	USA, UK	34,000	8,000	Owner/manager
4	15	Hotel	Service	USA, EU	301,000	98,000	Manager
5	38	Processing of spices	Manufacturing	USA	190,000	98,000	Owner/manager
6	25	Manufacturer of beads	Manufacturing	Canada, USA, UK	127,000	73,000	Owner/manager
7	25	Processing of shea butter	Manufacturing	USA	145,000	78,000	Owner/manager
8	20	Processing of fruits	Manufacturing	Switzerland, China	103,000	87,000	Owner/manager
9	7	Wholesaler of Beads	Service	Senegal, Burkina Faso, Nigeria, Togo	21,000	7,400	Owner/manager
10	15	Engineering Company	Service	Cote D'Ivoire, Burkina Faso, Togo	35,000	16,000	Owner/manager
11	6	Hotel	Service	Cote Divoire, Nigeria, Burkina Faso, Mali,	168,000	59,000	Owner/ Manager
12	20	Retailer of petroleum products	Service	Mali, Burkina Faso, Niger	201,000	31,000	Owner/Manager
13	9	Fashion designer	Manufacturing	Mali, Burkina Faso, Nigeria	48,000	12,000	Owner/manager
14	10	Fashion designer	Manufacturing	Togo, Nigeria, Burkina Faso,	52,000	15,500	Owner/manager
15	15	Processing of cocoa	Manufacturing	South Africa, Nigeria,	87,000	50,000	Owner/manager
16	12	Goldsmith	Manufacturing	Burkina Faso, Cote Divoire, Nigeria	108,000	68,000	Owner/Manager

Table 2

Illustrative quotes for dimensions of trust in SME trade credit relationships

Honesty	
Abide by one’s own words	“Yes, but I give credit to somebody who has honesty, not trying to cut corners or trying to alter documents as other would do. I should be able to trust the person when he says one, it’s one or when it’s black, is black” (Number 5).
Keeping promises to pay	“I don't give credit at the start, it's like a student, you test the customers based on their payment, so their payment will tell me not to credit them again. This is how I go about it, it’s all about payment” (Number 9)
Capacity to pay	
Possession of valuable personal and business assets	“We don’t agree to every proposal for credit. First we visit the company to see where the company is located, assess their assets and check if what the manager told us about the company’s ability to pay is true” (Number12).
Show evidence of high sales	“Yes, “Yes, I visit them in their shops and watch how much they sell to customers” (Number 15).
Willingness to pay	
Providing details of residential and business Locations	“I give credit but it’s only when we know the manager very well, I mean he invited us so we know his house and his work place” (Number 7).
Communicate regularly	“My customers talk to me regularly and if there are problems they tell me when they will pay my money I have worked with them so many years” (Number 2).
Liquidity concerns	

Timely payments	“This particular customer has never missed payment and so with her I trust that I will get my money when I need it. She is a very reliable customer” (Case 1).
Part payment	“To avoid locking up too much money with customers we insist on payment of at least half of the cost of the products sold and those who agree are those that we trust and supply them” (Case 3).

Table 3 Illustrative Quotes for Parallel Institutional Trust

Family/kinship/friendship norms	
Demonstrate family/kinship atmosphere	"You see we talk to them, they visit us, we also visit them and we have developed some kind of family relationship" (Number 10).
Demonstrate family atmosphere attend social events	"We talk and work as a family, we lean on each other because he needs me and I need him. He invites me and I also invite him to social functions like funerals and weddings and any family event" (Number 4).
Demonstrate friendship atmosphere	"The trust you have for people will lead to that; when we've gotten to know each other, because we're friends we could be helping each other" (Number 14).
Trade association /industry norms	
Demonstrate membership of trade association	"I am a member of Tailors and Dress-makers Association and we were all informed at the meeting about the trade fair and it is at the fair that I met my customers from Nigeria and Burkina Faso" (Number 13).
Demonstrate adherence to Industry norms	"We give credit. Locally in this business it's a norm, you just have to do that to get business" (Number 1).

Religious Norms

Demonstrate religious principles	“I believe in God and so it is better for me to pray and leave my debtor with God it is better than going to court” (Number 2).
Demonstrate faith in God, Allah and indigenous deities	“Sometimes I go to the pastor of my supplier and ask them to talk to him. I also remember one time I threatened to take an egg and call the local gods to curse her and she was afraid so she came to pay my money back to me” (Number 3)

Reputation

Endorsement from employees and family members	“Most of them even invite me to their houses to let me know where they are. When I visit, I ask some few people around you, if they say you're trustworthy then I will give the goods to you on credit” (Number 15).
Endorsement from association or community members	“I supply beads on credit to a customer… He was recommended to me as very good in the (export) sector and everybody in the association knows that” (Number 6).

Table 4: Strategies used by entrepreneurs to enforce trade credit in weak institutions

Strategy Used	Market(s)	Sample Quotes from Cases in Domestic, West Africa and International Markets
• Contacted family members to solicit for help in getting trade credit payment after default	• Domestic/West Africa	"…Sometimes I could also go to the husband, mother or any family member to complain if I know them and in all such cases the money is paid back to me" (Case 7)
• Relied on shared religious values, religious leaders (pastors, Imams, fetish priests), prayers and threats to invoke curses from God, Allah or traditional gods	• Domestic/West Africa	"The court processes is too long and then you spend a lot of money; so it is better for me to pray and leave everything into God's hand and ….he will rebuke every devourer for my sake" (Case 10).
• Relied on trade association leaders to resolve payment disputes and enforce trade credit payments.	• Domestic/West Africa	"….I belong to the association there, they settle payment problems quickly and free of charge" (Case 14).
• Removed goods already supplied on trade credit forcefully from the shelves of customers	• Domestic	"No I did not go to court because of the time …instead went to her shop and removed my beads since some were still in the shop" case 9)
• Relied on intermediaries such as embassy staff and trade fair organisers to resolve delayed payment disputes	• West Africa	"…He delayed me … Even it was the organisers of the fair who intervened otherwise maybe he wouldn't have given me all the money" (Case 13).

• Used agents to verify customers' false claims of defective goods and that led to delayed trade credit being paid	• International	"I got an agent abroad who would say that okay I would be there in a few minutes then immediately the customer would call back and say it is alright" (Case 16).
• Use repeated telephone calls or emails to chase after default trade credit payments	• West Africa/ International	"When the customer delayed payments for a long time I called him three four times a week on the phone. I also sent many emails and he probably got angry and paid my money back" (Case 5).

Table 2

Illustrative quotes for dimensions of trust in SME trade credit relationships

Honesty	
Abide by one's own words	"Yes, but I give credit to somebody who has honesty, not trying to cut corners or tr as other would do. I should be able to trust the person when he says one, it's on black" (Number 5).
Keeping promises to pay	"I don't give credit at the start, it's like a student, you test the customers based on payment will tell me not to credit them again. This is how I go about it, it's all ab 9)
Capacity to pay	
Possession of valuable personal and business assets	"We don't agree to every proposal for credit. First we visit the company to see wh located, assess their assets and check if what the manager told us about the compa true" (Number12).
Show evidence of high sales	"Yes, "Yes, I visit them in their shops and watch how much they sell to cust
Willingness to pay	
Providing details of residential and business Locations	"I give credit but it's only when we know the manager very well, I mean he invite house and his work place" (Number 7).
Communicate regularly	"My customers talk to me regularly and if there are problems they tell me when th I have worked with them so many years" (Number 2).
Liquidity concerns	
Timely payments	"This particular customer has never missed payment and so with her I trust that I v when I need it. She is a very reliable customer" (Case 1).
Part payment	"To avoid locking up too much money with customers we insist on payment of at the products sold and those who agree are those that we trust and supply them" (C

Table 3 Illustrative Quotes for Parallel Institutional Trust

Family/kinship/friendship norms	
Demonstrate family/kinship atmosphere	"You see we talk to them, they visit us, we also visit them and we have develop relationship" (Number 10).
Demonstrate family atmosphere attend social events	"We talk and work as a family, we lean on each other because he needs me and and I also invite him to social functions like funerals and weddings and any fam
Demonstrate friendship atmosphere	"The trust you have for people will lead to that; when we've gotten to know friends we could be helping each other" (Number 14).
Trade association /industry norms	
Demonstrate membership of trade association	"I am a member of Tailors and Dress-makers Association and we were all info the trade fair and it is at the fair that I met my customers from Nigeria and Burk
Demonstrate adherence to Industry norms	"We give credit. Locally in this business it's a norm, you just have to do that to
Religious Norms	

Demonstrate religious principles	“I believe in God and so it is better for me to pray and leave my debtor with G court” (Number 2).
Demonstrate faith in God, Allah and indigenous deities	“Sometimes I go to the pastor of my supplier and ask them to talk to him. I a threatened to take an egg and call the local gods to curse her and she was afra money back to me” (Number 3)
Reputation	
Endorsement from employees and family members	“Most of them even invite me to their houses to let me know where they are. W people around you, if they say you're trustworthy then I will give the goods to y
Endorsement from association or community members	“I supply beads on credit to a customer… He was recommended to me as very and everybody in the association knows that” (Number 6).

Table 4: Strategies used by entrepreneurs to enforce trade credit in v

Strategy Used	Market(s)	Samp Afric
• Contacted family members to solicit for help in getting trade credit payment after default	• Domestic/West Africa	“…Sc any fa all suc
• Relied on shared religious values, religious leaders (pastors, Imams, fetish priests), prayers and threats to invoke curses from God, Allah or traditional gods	• Domestic/West Africa	“The lot of every devou
• Relied on trade association leaders to resolve payment disputes and enforce trade credit payments.	• Domestic/West Africa	“….I probl
• Removed goods already supplied on trade credit forcefully from the shelves of customers	• Domestic	“No I went were
• Relied on intermediaries such as embassy staff and trade fair organisers to resolve delayed payment disputes	• West Africa	“…He fair w given
• Used agents to verify customers’ false claims of defective goods and that led to delayed trade credit being paid	• International	“I got be the would
• Use repeated telephone calls or emails to chase after default trade credit payments	• West Africa/ International	“Whe called sent n mone