

Trusting in indigenous institutions: Exporting SMEs in Nigeria

Purpose:

The purpose of this article is to develop new insights into the interplay between trust, indigenous institutions and weak/dysfunctional formal institutions using the Nigerian context - a developing country in sub-Saharan Africa. It advances new understanding on how Nigerian entrepreneurs trust in their indigenous institutions such as family ties, kinship, chieftaincy, religion, cooperatives and trade associations to resolve disputes arising from their exporting activities as opposed to dormant formal institutions in their country.

Design/Methodology/Approach:

This exploratory study adopts an interpretive research paradigm and it utilises a case study strategy. Data collected through observations, archival records and qualitative conversations with 36 exporting Nigerian SMEs is analysed by utilising a combination of within and cross-case analysis techniques. Doing so enabled an in-depth study of the methods their owner managers use in order to take advantage of the relationships they established through their long-standing cultural institutions in the place of weak formal institutions in their country.

Findings

Indigenous institutions have evolved to replace formalised institutions within the business environment in Nigeria. They have developed to become an alternative and trusted arbiter for solving SMEs' export issues because of weak/dysfunctional formal institutions in the Western African country. The owner managers of exporting SMEs perceive formal institutions as representing a fragmented system that does not benefit their export businesses.

Practical Implications

The findings demonstrate that there is need for policy makers to consider the role of informal institutions in the Nigerian context. Such an approach is essential given the economic importance and increasing number of SMEs that trade and export their goods through informal structures in Nigeria.

Originality

The study indicates that it is not just the void or absence of institutions that exist in a developing country such as Nigeria, but weak/dysfunctional formal institutions have been replaced by culturally embedded informal institutions. Thus, the study provide a new theoretical avenue depicting the concept of trusting in indigenous institutions.

KEYWORDS: trust, indigenous institutions, entrepreneurship, institutional rivalry, SMEs, formal institutions, Nigeria

Introduction

Research on SMEs in emerging and developing economies has continued to gain significant interest amongst entrepreneurship scholars (see for example: Dana *et al.*, 2018; Krasniqi and Desai, 2016; Muralidharan and Pathak, 2017; Simba *et al.*, 2020). Such intensive focus has enhanced understanding on entrepreneurial activity in contexts where formalised institutions have become dormant (Ahmed, 2012). The vast majority of existing studies that have emerged in the past two decades have been particularly focussed on SMEs geographically located in advanced economies (see for example: Lu and Beamish, 2001; Child and Rodrigues, 2007; Stoian *et al.*, 2016). That approach has resulted in biased assumptions and macro-theorisations of the activities of SMEs operating in developing economies especially in sub-Saharan Africa. It has also been complemented by, a long-standing imbalance within the extant literature on entrepreneurship which seems to prioritise studying large multinational enterprises (MNEs) over SMEs, despite the fact that SMEs account for a huge share of the business within Africa (Amoako and Lyon, 2014, Omeihe, 2019).

Consistent with that, there is growing research focussing on the value of networking in African trade (Aluko *et al.*, 2019; Amoako, 2018; Jenssen and Kristansen, 2004; Overa, 2006; Porter and Lyon, 2006; Simba and Ojong, 2018). While this has advanced knowledge on the importance of developing networks, more research is needed to capture the form and shape of the relationships and the institutions that define them. Thus, this article seeks to offer a comprehensive analysis of indigenous institutions that have become an alternative and trusted arbiter for solving SMEs' export issues because of weak/dysfunctional formal institutions in Nigeria. By utilising a Western African context this research provides new perspectives on export trade activities amongst SMEs in a culturally diverse African continent. Such an approach answers Roberts and Dörrenbächer (2016) call for reflexive discussion on the nature and impact of international business activity in Africa on individuals, specific communities, the environment, the economy and society from inter-, trans-, and multi-disciplinary perspectives. Thus, our research contributes to the emerging body of knowledge on firm internationalisation in Africa (e.g., Boso *et al.*, 2019; Haddoud *et al.*, 2019; Haddoud *et al.*, 2018; White, 2019; Zoogah *et al.*, 2015) by paying particular attention on the peculiarities of the export activities of SMEs in a Western African country. Specifically, we contribute to this stream of research by showing how informal institutions including indigenous institutions and trade associations are becoming alternative establishments for governing export trade in Nigeria in the absence of government institutions. Such insights on the activities of these rarely studied institutions, and yet they are increasingly becoming central in export trade in West Africa, echo and extend "critical perspectives on international business in Africa" (Damoah, 2018; Nyuur *et al.*, 2018). The resource-constrained environment in Nigeria complemented by its weak/dysfunctional formal institutions, makes the Western African country a unique setting for fulfilling the main purpose of this research. Furthermore, the associated implications of indigenous institutions and trade associations that have been recognised as enhancing entrepreneurship in the Western African country add another interesting dimension in the debate about its export activities.

Existing research shows that most of Nigeria's trade takes place within the informal sector (Olutayo, 1999; Fadahunsi and Rosa, 2002; Hoffmann and Melly, 2018). Anecdotal evidence points to the fact that the majority of Nigerian SMEs choose to remain active in the informal economy because they do not perceive that they can benefit from the opportunities of formal exporting trade activities. In spite of the realisation that Nigeria happens to be a nation of traders, one of the major arguments used to justify Nigeria's slow development is a lack of focus on its informal sector (Arimah, 2001; Ogunsade and Obembe, 2016). At the economic level, a focus on the informal sector, would improve its economic potentials. This is due to the fact that a high number of indigenous entrepreneurs feature prominently in Nigeria's informal sector (Onwe, 2013). Within the field of entrepreneurship, the process of establishing trust becomes particularly important especially in contexts where the court systems are fragmented and fail to reflect the interests of the societies in which they function. Thus, it is argued that a necessary condition for ensuring impartial court resolutions is the rise of competing parallel institutions built on trust (Khoury and Prasad, 2016).

In this article, we argue that despite a lack of formal institutional support (Tajeddin and Carney, 2019) often taken for granted in advanced economies, Nigerian entrepreneurs have developed ways of relying on alternative institutions which specify and define the rules for entrepreneurship to thrive (Brautigam, 1987). We capture the contributions of these indigenous institutions in facilitating export trade and sanction enforcements. This supports the expectation that partners would refrain from malfeasance for fear of reputational damage and the danger of being ostracised from future trade transactions. Moreover, we present evidence which show that the concept of institutional rivalry exists within Africa and it is emergent from a range of alternative indigenous forms which operate in parallel to weak/dysfunctional state backed institutions. The essence of institutional rivalry is complex. From this theoretical perspective, competing institutions co-exist by acting in parallel, thus leading to the emergence of a dominant institution. The rivalry between both formal (imposed and weak/dysfunctional) and informal institutions (indigenous and effective) is pronounced and resolved through the emergence of trust in effective institutional arrangements. The reasoning explains the extent to which alternative institutions effectively enhance concrete entrepreneurial relationships by discouraging malfeasance.

Undoubtedly, the case of a developing market economy presents a fertile ground as our empirical point of departure examines Nigeria's unique indigenous institutions. The central focus is the unique ability of the SME exporters to build trust across regional markets. This follows from Amoako's (2018) advocacy for alternative investigations into the economic behaviour of indigenous West African entrepreneurs. We contend that this would uncover the uniqueness of unexplainable entrepreneurial behaviour. In the view of this study, although we do not seek to offer penetrating and insightful coverage of Nigeria's difficult market conditions, instead we focus selectively on the concept of institutional rivalry to describe the features of indigenous institutions which flourish in parallel to dysfunctional formal institutions. As a consequence, this article has taken an exploratory approach which advances theory on the role of trust in indigenous institutions. Guided by the investigation of 36 exporting SME owner-managers, the empirical component is focused on multiple case studies held at cross border markets.

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3 In the respective cases, we seek to draw insights on how alternative indigenous arrangements
4 are sufficient to enforce credible commitments to exporting agreements, especially in the
5 absence of effective court systems which indicates that exporters have minimal recourses to
6 resolving trade grievances. The article also indicates the common knowledge about institutional
7 void, yet it does not support this view. Rather, we indicate that it is not just the void or absence
8 of institutions that exist within the Nigerian context, but the interplay of two institutional
9 frameworks which we argue is a novel but under researched phenomenon. To achieve our aim,
10 the analysis of our findings is centred on two sub-questions:

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15 *RQ1*: How do entrepreneurs perceive formal institutions in Nigerian and West African markets?

16 *RQ2*: What are the indigenous institutions that act in parallel to weak state backed institutions?

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19 To achieve our aim, the mechanism of trust is used to examine the set of shared expectations
20 which enable entrepreneurs deal with uncertainties in their exporting SMEs; before we proceed
21 to examine the different forms of indigenous institutions that act in parallel to
22 weak/dysfunctional state-backed institutions. In explicating the former, the consensus that trust
23 promotes entrepreneurial relationship becomes pertinent in the light of Nigeria's unique socio-
24 economic landscape, where formal institutional arrangements appear to be underdeveloped. In
25 terms of the second component, the limitation of weak and deficient state backed formal
26 institutions raise questions about the role of alternative institutions, as entrepreneurs were found
27 to take advantage of a range of indigenous institutions in facilitating exporting activities.
28 Specifically, the multiple perceptions expressed by the entrepreneurs were similar, as they reveal
29 that formal institutions such as courts which are meant to strengthen the compliance of
30 contractual agreements, were too corrupt, bureaucratic and very expensive. As a consequence,
31 this inevitably poses questions about the impact of such formal institutions on SME exporting.
32 The rest of this paper takes an inventory of literature by undertaking a review the studies on
33 institutions and entrepreneurship as they form the foundation of this study. Next, we bring our
34 discourse to bear by examining the concept of trust as a purposive concept which lubricates
35 ongoing systems of exporting relationships. We then proceed to describe our methodological
36 choices and report the empirical findings. The article concludes by proposing directions for
37 further empirical and theoretical developments in the field of institutions and entrepreneurship.

38 39 40 41 42 43 44 45 **Formal Institutions**

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47 Before engaging the institutional arrangements debate, we start at a point of understanding the
48 constituents of formal institutions. Formal institutions are written rules that are devised to
49 constrain human interaction and exchange (Hodgson, 2006) by prescribing what is socially
50 acceptable (North, 1990). Formal enforcement mechanisms rely on third party agencies such as
51 the court to enforce contract agreements or quality assurance bodies to provide standard
52 formulation, certification and quality monitoring (Boampong, 2010). Through such
53 mechanisms, formal institutions are able to support complex human relationship (Hodgson,
54 2006). In the economic exchange literature, formal institutions are known to facilitate
55 predictable, transparent, impartial and low-cost enforcement of contract (Milgrom *et al.*, 1990).
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3 However, in case where they are non-existent or weak due to political instability, corrupt
4 tendencies and market imbalances (Khanna and Palepu, 1997; DiRienzo *et al.*, 2007), trust
5 amongst businesses or individuals can be severely eroded (De Soto, 2006). Such a situation often
6 lead to the establishment of informal arrangements to fill the void (Webb *et al.*, 2020).
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9 10 **A Contextual Perspective of weak Institutional Arrangements**

11 The foundational focus of institutions has given rise to an array of perspectives and debates.
12 Scholarly writings of Williamson (1975), North (1990), DiMaggio and Powell (1975) and Scott
13 (2004) have inspired major movements in economic sociology and entrepreneurship. A major
14 reason for the various perspectives on institutions lies with the discontentment of theories which
15 downplay the roles of norms, rules and beliefs as they vary across contexts (Fang, 2010; Bruton,
16 Ahlstrom, and Li, 2010). The defining feature of Scott's (2014) and DiMaggio and Powell's
17 (1975) work has directed studies to how cultural beliefs and norms of institutions shape
18 entrepreneurial behaviour. In the view of these institutionalists, the durability of institutions is
19 ultimately centered on the consistency of human activities which creates stable expectations.
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22 This implies that entrepreneurial action is influenced by the appropriateness of institutions which
23 regulates its activities (Hodgson, 2006; Welter and Smallbone, 2011). Conceived as humanly
24 devised constraints which structure social, economic and political interactions, institutions are
25 comprised of formal rules like laws and constitutions and informal elements such as taboos,
26 customs, sanctions and traditions (North, 1990; Nee, 2003). Indeed, the institutions which foster
27 economic interactions in advanced economies play an important role in advancing
28 entrepreneurial actions (Akimova and Schwodiauer, 2005; Fafchamps, 2004). We recognise that
29 although formal institutions are weak within developing market economies, there exist parallel
30 institutional arrangements which function in advancing entrepreneurial action to the degree by
31 which the formal institutional arrangements cannot offer (Lyon and Porter, 2010; Amoako and
32 Lyon, 2014; Amoako, 2018). For instance, Chamlee-Wright's (1993) study of Ghana revealed
33 that kinship and tribal systems performed advisory and credit functions which formal banking
34 institutions may not offer.
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37 Central among extant studies is the indication that a relationship exists between entrepreneurship
38 and contexts characterised by deficient institutions (Chamlee-Wright, 1993; Jackson, Amaeshi,
39 and Yavuz, 2008; Scott, 2008; Thornton, Ribeiroi-Soriano, and Urbano, 2011). As a
40 consequence, such environments serve to encourage corruption, foster non-compliant behaviour
41 on the part of the entrepreneurs and arbitrary discretion on the part of government officials
42 (Puffer, McCarthy and Boisot, 2010; Welter and Smallbone, 2011). It is also not surprising that
43 the dominance of SMEs in many sub-Saharan African economies draws attention to the vibrancy
44 of such contexts. Fadahunsi and Rosa (2002), using insights from Nigeria's cross border trade
45 describe how contexts exhibit supportive and thriving networks for individual entrepreneurs.
46 Hashim and Meagher (1999) show the trade difficulties faced by entrepreneurs in neighbouring
47 West African countries. Tillmar's (2006) approach focuses analytical attention on how SMEs in
48 tribal communities relied on indigenous institutions in conflict resolution and sanction
49 enforcements. The synthesis of Dondo and Ngumo (1998) and Amoako and Lyon (2014)
50 emphasise how culture constrains the development of African SMEs.
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3 Overall, the implication of these studies confirms to an extent the role of context as a critical
4 determinant of institutional analysis. As such there is a need to understand how exporting
5 Nigerian entrepreneurs develop trust by relying on culturally specific institutions.
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8 It follows from this that we draw on the concept of institutional rivalry to describe how the
9 competing dimensions of institutions enable and contain social behaviour. It is important to have
10 an approach which appropriately describes how socially constructed institutional arrangements
11 provide meaning to the entrepreneurs' reality (Thornton and Ocasio, 1999; Thornton, 2004).
12 From this perspective, alternative institutions act within the shadow of weak state-backed
13 institutions by formulating rules to enhance economic and social interaction. So, what accounts
14 for this rivalry? A certainty is that parallel institutional arrangements influence entrepreneurship
15 activity to a degree in which formal institutions provide little or no impact. This indicates that
16 remarkable entrepreneurial decisions are outcomes of the interplay between entrepreneurs and
17 supportive institutional structures. Explained differently, the core assumption behind the
18 institutional rivalry presupposes an understanding of entrepreneurial behaviour located within
19 institutional contexts.
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24 This is particularly important as identities, values, norms and beliefs have been acknowledged
25 to shape entrepreneurial relations (Jenssen and Kristiansen, 2004; Chao and Moon, 2005;
26 Omeihe, Dakhan, Khan, Gustafsson, and Amoako, 2019). Where formal institutional
27 arrangements are perceived to be congruent to the interest of social groups, actors within such
28 groups will be motivated to rely on alternative arrangements that promote their economic and
29 social interest. As Nee (1998) observes that when formal norms are at variance with societal
30 interests, alternative informal arrangements emerge to provide legitimacy. In contexts such as
31 Nigeria, where the state which control resources needed for entrepreneurs are perceived to be
32 at odds with their preferences and interests, alternative institutions emerge to reinforce the basis
33 for trust by enabling entrepreneurs realise their economic interests. On this basis, it becomes
34 important to understand indigenous institutions which shape entrepreneurial behaviour within
35 the Nigerian context. We build on this concept to develop our theory of how SMEs within
36 Nigeria rely on indigenous institutions in their exporting activities.
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43 ***Informal Institutions and Export Behaviour in Developing Economies***

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45 Scholarship on entrepreneurship (e.g. Mair and Martí, 2009; Puffer *et al.* 2010; Stephan *et al.*,
46 2015) recognises that in the absence of formal institutions as arbitrators of trade, informal
47 institutions in the form of informal social connections have served as alternative support
48 mechanisms for firms. In the context of developing economies, the void left by formal
49 institutions has persuaded firms involved in exporting activities to turn to informal institutions
50 for governance and support (Murithi *et al.*, 2019; Zoogah *et al.*, 2015). Through informal
51 institutions exporting African firms are taking advantage of their social connections to drive
52 their internalisation agenda (Obeng, 2019; Yiu *et al.*, 2007). İpek's (2020) systematic review of
53 51 articles highlighted several marketing approaches emerging market exporting firms are
54 employing including the deployment of strategic resources targeted at reducing institutional
55 distance, adaptation and standardisation of their offering and a focus on niche markets.
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3 Notwithstanding these observations, scholarship on firm internationalisation and institutions is
4 yet to develop particularly studies that pay attention on the emerging or developing country
5 context in order to fully capture the peculiarities (and/or behaviours) of exporting firms across
6 Africa.
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9 A proportionately small number of emerging studies is however starting to indicate that
10 institutional misalignments, between the emerging economy firms' needs and existing formal
11 institutions in their home markets, are driving the majority of these firms towards informal
12 arrangements as a way of accelerating their foreign expansion (Krammer *et al.*, 2018). These
13 firms class informal arrangements as the embodiment of social conventions for their trade
14 activities (Boso *et al.*, 2019; Daniel *et al.*, 2018). They see them as symbolic of accepted norms,
15 codes of ethics and personal networks and they perceive them as representative of shared social
16 values, attitudes and behaviours that shape economic relationships (George *et al.*, 2016; Nyame-
17 Asiamah, *et al.*, 2020). Oppong's (2019) study of 134 Ghanaian small exporting firms concluded
18 that informal institutions are influencing the way (behaviour) exporting firms adopt when
19 engaging in export trade.
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25 Previous work by Ibeh *et al.* (2012) involving a comprehensive review of 54 studies between
26 1995-2011 showed an upward trend in the internationalisation activities of African firms; a
27 significant level of informal exporting indicating potential for further growth in firm-level
28 internationalisation within Africa. Thus, the more scholarly research pays attention on the
29 behaviours and activities of exporting firms originating in the African continent and the role of
30 informality in complementing or as an alternative to formal arrangements, the more we can
31 understand their actions and behaviours in cross-border trading. Indeed, the Sub-Saharan context
32 warrants scholars to investigate how the institutional environment impacts on organisational
33 structures, practices and behaviours (Boso *et al.*, 2019; Murithi *et al.*, 2019).
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38 **Dimensions of Trust**

39 The core interest in trust as a foundation for social interactions has gained increased interest
40 since it stands as a vital concept within the field of entrepreneurship. Although scholars allude
41 to it as a fundamental lubricant which shapes entrepreneurial action (Gambetta, 1988; Mayer,
42 Davis, and Schorman, 1995), the crux of the problem lies in differences of trust
43 characterisations. Two influential seminal works attempt to illuminate and clarify the trust
44 construct. As a starting point, trust is defined as a psychological state to accept vulnerabilities
45 based on positive expectations (Rousseau, Sitkin, and Burt, 1998). The central thrust of this
46 argument suggests that a trustor expects the trustee to behave in a way that is benevolent and in
47 the interest of the relationship. Moving beyond this definition, Mayer *et al.*'s, (1995) integrative
48 model provides another influential definition of trust. They define trust as the willingness of a
49 party to be vulnerable to the actions of another party based on the notion that such action will
50 be performed without any form of monitoring. This definition of trust parallels that of Rousseau
51 *et al.*, (1998) with critical respect to vulnerability. Being vulnerable suggests an exposure to
52 losing. From this, one can clearly derive a degree of convergence as trust involves being
53 vulnerable to risks.
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3 In the Igbo, Yoruba and Hausa languages usually adopted by Nigerian entrepreneurs, trust is
4 referred to as *ntukwasi obi*, *igbẹkele* and *dōgara*. These definitions of trust can be loosely
5 translated to mean confidence and a positive knowledge of expectation. In this article, we define
6 trust as an embedded set of shared positive expectation shaped by the confidence in effective
7 social structures. From our perspective, trust is conceived as a property of a collective unit as it
8 emerges from embedded sources within institutional arrangements (Lewis and Weigert, 1985;
9 Lyon, 2000). The implication is that trust is indispensable to entrepreneurial relationships, as
10 institutional arrangements are dependent on trust. Trust plays an important role in eliminating
11 the need for formal contracts which is costly to write, enforce and monitor (Zaheer *et al.*, 1998;
12 Bromiley and Harris, 2006). For instance, the risks of reducing opportunism cannot be
13 monitored and enforced through legal means within weak institutional contexts (Platteau, 1994;
14 Bromiley and Cummings, 1995; Lyon, 2000). This is particularly important in contexts which
15 create competing institutional rivalry. Here, the role of trust holds promise in institutional
16 arrangements which provide complimentary nature of enforcements. Another explanation is that
17 entrepreneurs are more likely to pursue enhanced social relationships when information is
18 shared. The costs of sourcing information through networks is a key part of transactions cost in
19 making cooperation choices.
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23 This explains why trust not only reduces transaction costs but also necessitates information
24 sharing which creates value in entrepreneurial relationships (Lyon, 2000; Dyer and Chu, 2003).
25 In order words, trust necessitates information sharing which reduces inefficiencies (Barney and
26 Hansen, 1994; Nishiguchi, 1994) and enables parties make the right anticipations. In fact,
27 trusting relationships is sustained through a balance of reciprocity and threat of sanctions by the
28 other party. This view assumes that social relationships are determined by the norms of those
29 social structures which provide sanctions when trust is broken. The possibility of sanctions
30 reduces the risk of trust betrayal, as available sanctions include reputation damage, membership
31 termination and shaming (Luhmann, 1979; Lyon, 2000; Omeihe, 2019). Overall, the danger of
32 these sanctions creates an obligation for trustworthiness. Thus, a reciprocal trusting behaviour
33 where parties seek to reduce opportunism is promoted through trust in reliable institutional
34 arrangements.
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37 ***Trust and Export Behaviour in Informal Institutions***

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39 In the absence of established government institutions, traders involved in export business in the
40 African context have resorted to informal institutions including export trade associations and
41 indigenous institutions (Amaoko, 2015; Amoako *et al.*, 2020; Smith and Luttrell, 1994) for
42 support. Within these rarely studied establishments, trade agreements and contracts are mainly
43 legislated on the basis the of personal trust (Omeihe, 2019). Considering that export trade
44 associations and indigenous institutions are based on unregulated relationships ranging from
45 kinship, families ties, religion and affiliation (Thornton *et al.*, 2011), it's arguable that trust will
46 take centre stage as an important factor in the way export traders interact amongst themselves,
47 with customers and their suppliers within such institutions (see Amaoko, 2019).
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The literature on export trade in African (see for example: Amaoko, 2012; Boampong, 2010; Tesfom *et al.*, 2004) highlights the importance of supplier trust expectations with regards to the quality of the goods they supply. Thus, it is important that exporting traders meet the expected quality of products in order to not only build exporter-supplier trust but also exporter-customer trust especially for goods that are intended for international markets (Amaoko, 2019; Lyon, 2000). A poor quality of goods/services from suppliers put the reputation export traders particularly smaller traders at risk. In Ghana export traders tend to mitigate quality-related challenges by developing trust-based relationships with suppliers in order to access training and technical support (Boampong, 2010; Lyon and Porter, 2009). Such an approach is credited for its ability to enable them to meet the high specifications required by international customers (Amaoko, 2019). In addition, these export traders engage in several other trust-based relationships to access market information on exporting to other region, to gain reputation and legitimacy (Smith and Luttrell, 1994). Also, they participate in different types of bilateral relations (joint ventures and informal reciprocal arrangements) both within cultural groups and crossing cultural boundaries (Lyon and Gina, 2010). The relationship they build often combine multilateral forms of cooperation in powerful trader associations some of which are of single ethnic groups while others cut across ethnic boundaries.

Method

Sample and data collection

The empirical component of this study is rooted in the interpretivist approach (Eisenhardt, 1989; Hammersley, 1992; Bryman and Bell, 2015) towards understanding the richness of the phenomenon (Saunders, Lewis, and Thornhill, 2016; Welter and Alex, 2011). Based on the idea that the interpretivist approach is centred on the uniqueness of human inquiry and its subjective experience (Guba and Lincoln, 1994; Bryman, 2016), this study adopts a multiple case study approach which draws on the exporting experiences of 36 SME owner/managers. The central choice for adopting this approach is due to its ability to reveal the hidden dynamics within unique research settings. The multiple cases were bound by time and activity, which enabled us adopt a variety of data collection procedures such as interviews and observations over a period of time (Stake, 1995; Yin, 2014; Creswell, 2014). Selecting the cases was based on a purposive sampling aimed at comparing the perceptions and experiences of respondents especially as it relates to their particular environment.

The primary unit of analysis comprised of 36 indigenous SME owner-managers who have been labelled as Cases 1-36. We considered our research sample to be representative of exporting SME owner-managers who were involved in the manufacturing and agricultural sectors in Nigeria. We identified owner-managers who were responsible for making business decisions related to exporting goods to other West African markets. Before undertaking face-to-face interviews with our selected participants, we tested our interview protocol using 5 owner managers as part of a pilot study. The participants we selected for the pilot study were encouraged to 'think allowed' (Bryman, 2008) with the view to assess their understanding of our questions which were mainly semi-structured. Our observation and feedback from the pilot phase enabled us to further strengthen our interview protocol on institutions and export trade.

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3 The face-to-face interviews for the main study with our key informants took place in their
4 business. The idea was to allow them to tell their stories in their familiar surroundings (Saunders
5 *et al.*, 2003) which enhances their recollection of events. The interviews lasted on average 55
6 minutes to 110 minutes. In cases where additional information was sought follow up emails and
7 Skype conversations were utilised. Data collection was stopped after reaching what Saunders *et*
8 *al.* (2018) described as qualitative saturation. In other words, interviews stopped at a point where
9 we were no longer receiving any new information about the export activities of our sampled
10 owner managers. Following such a strategy enabled us to gain a deeper understanding of their
11 key exporting activities and strategies. As already explained the use of semi-structured face-to-
12 face interviews enabled us to collect rich data because the participants were given the
13 opportunity to retrospectively relive their experiences. Thus, we fully explored the influences of
14 institutional structures on trade and export decisions taken by the respondents. As part of that
15 we also covered issues of trust and how alternative forms of institutions impact exporting
16 relationships. Overall, we believe that our rapport with the respondents captured their
17 interpretations of trust, as they welcomed the opportunity to share their experiences and
18 practices. The consideration for limiting bias was minimised through ensuring a considerable
19 amount of observing market transactions, documentary analysis and informal discussions (Lyon
20 and Porter, 2010; Omeihe, 2019).

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28 **Insert Table 1 about here**

29 30 **Procedure and Data Analysis**

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32 In investigating the indigenous institutions shaping SME trust relationships, we kept an open
33 mind about what was needed to be known. Based on this stance, we ensured that the techniques
34 adopted for creating and collecting data were sensitive to the phenomena being studied (Ackroyd
35 and Hughes, 1992). To a large degree, this allowed the emergence of rich and valid findings
36 from the data. The study concentrated largely on methods which emphasised fewer restrictions
37 to the phenomena being studied. Based on this, we followed the advice of Yin (2014) by
38 adopting the highly complementary but sophisticated combination of documentation, semi-
39 structured interviews and direct observations as multiple sources of evidence. Interestingly, the
40 major strength of adopting these multiple sources of evidence lies in the development of
41 converging lines of enquiry, which ensures that potential findings were accurate and convincing.

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43 With regards to choosing the strategy for data analysis, we aimed to adopt a strategy which
44 would treat evidences fairly, rule out alternative interpretations and produce compelling
45 conclusions. A thematic analysis was considered to be the most appropriate as it delivered a
46 structured methodology useful in identifying key themes within the data set; and it is not limited
47 to a particular epistemological stance (Boyatzis, 1998; Braun and Clark, 2006). In providing a
48 rich thematic analysis of our data set, we aimed to ensure that the themes identified, coded and
49 analysed were an accurate account of the entire data set. In this vein, we looked for issues of
50 potential interest and patterns of meaning within the data. This involved a constant iteration
51 between the whole data set, extracts of coded data and the analysed data. Accordingly, and
52 following the advice of Eisenhardt (1989), evidence from each of the cases was compared in
53 order to identify new insights and to ensure a close relationship to the data.

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3 We also adopted a cross case synthesis technique in analysing the case study evidence. The
4 technique enabled the analysis of each case while allowing the multiple cases to be analysed as
5 part of a single case. Consistent with that, we are able to report the findings from the interviews,
6 observations and documentary evidence using quotes to build our discourse. The subsequent
7 quotes drew on the responses from the owner-managers of exporting SMEs interviewed for this
8 study; and we made effort to ensure that the responses from these actors were not lost in the
9 contexts in which they were made.
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13 **NIGERIA'S SOCIO-CULTURAL CONTEXT**

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15 Nigeria is viewed as a rich ethnic diverse society inhabited by approximately 250 cultural groups
16 that speak over 250 various languages with their own distinctive set of cultures. The Igbo, Hausa
17 and Yoruba cultural groups are considered the largest groups as together they account for more
18 than 70% of Nigeria's population. The lesser ethnic groups namely Nupe, Gbagyi, Jukun, Idoma,
19 Igala, Ebiraland Tiv make up 25-30% of Nigeria's population, while other minorities account
20 for the remainder 5%.
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24 With regards to religion, Nigeria's is comprised of Muslims in the north and Christians in the
25 southern part of the country. Other minorities of the population practice indigenous or traditional
26 religions. Overall, the socio-cultural structure of the various ethnic groups in Nigeria are very
27 diverse, but particularly centered on kinship; where entrepreneurs are disposed to fostering
28 networks ties of family members, tribal groups, ethnicity and broader community.
29 Characteristically, SMEs in Nigeria are run by entrepreneurs who make all the key decisions
30 supported by family members and extended relatives. As a result, the family develops sets of
31 values, norms and beliefs which are regarded to be acceptable by the society. Thus, the family
32 is regarded as an important fuel for entrepreneurship. Family influences on entrepreneurial
33 motives and loyalty to kinsmen are stressed in the socialisation process of children. Other
34 qualities emphasised in children's upbringing include money, property, honesty and being
35 ambitious.
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40 Consequently, local customs within Nigeria's cultural contexts are closely associated with
41 ethnicity, and this has been important to the development of social networks and trust. Across
42 Nigeria, the sense of shared membership is viewed as been instrumental to establishing deep
43 emotional attachments, pride and reputation within cultural groups. Ethnic and religious
44 associations have proven to be a source for strong bonding and developing social networks with
45 people who are geographically far away; as they play an important role in SME development.
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50 In a recent World Bank country report, it was stated that Nigeria's current situation has been
51 compounded by pervasive corruption, low financial inclusion, income inequality, large
52 infrastructure gaps and slow efforts to diversify Nigeria's economy (World Bank, 2018). This
53 observation suggests that a clear roadmap for sustainable economic development would require
54 reforming Nigeria's formal institutions, diversifying Nigeria's export base and ensuring
55 competitiveness of key sectors. Despite being Africa's largest economy, Nigeria still boasts of
56 a poor economic record. Arguably, these poor records apply particularly to Nigeria's agricultural
57 and manufacturing sectors.
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3 However, the dominance of local trading and regional economic trade is likely to emerge as
4 more institutional support is required. For a large market like Nigeria, it becomes pertinent to
5 address the numerous challenges facing exporting SMEs. This research addresses this gap by
6 investigating the range of indigenous institutions which enhance exporting trade.
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10 11 Findings

12 13 *SME exporters' perception of formal institutions in Nigeria and West Africa*

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16 The difficult market conditions within Nigeria and West Africa implies that SMEs are faced
17 with a corrupt police force, have minimal access to banking infrastructure, and do not enjoy
18 recourse to legal redress. As a consequence, when asked about the role of courts and legal
19 institutions in their exporting activities, the entrepreneurs expressed negative perceptions about
20 Nigeria's formal court system in resolving trade disputes and grievances.
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24 A majority of the respondents pointed to the deficiencies of the legal system, as they all provided
25 negative descriptions of the legal court in resolving trade disputes between fellow exporters
26 (Table 2). Across the cases, the multiple perceptions were similar, as courts were described as
27 being too corrupt, bureaucratic, very expensive and a waste of time. Interestingly, inefficiencies
28 and corruption were cited as hindrances to effective legal processes.
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31 32 33 **Insert Table 2 about here**

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35 In this context, one of the exporters of plastics and hair attachments to Rodoroko Market in
36 Ouagadougou summed up his responses as follows:
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39 *The problem with the court is the delay in the dispensation of justice. The courts are for the rich.*
40 *In courts we don't trust. Yes, you know that some people don't want to go to the police and also*
41 *the courts. Justice is not a reality, so we prefer to settle things within ourselves. Also, the process*
42 *of contracts is a long process; it involves paperwork and most of our customers as I told you,*
43 *don't have time for the long paper. Never go to court, with somebody that is richer than you,*
44 *you may not get the full weight (Interview number 35, Lagos).*
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46
47 The above response sums up the nature of the deficient legal infrastructure which includes
48 lengthy delays in the dispensation of justice and the corrupt nature of Nigerian and West
49 African courts. Interestingly, the perceived deficiency across the court system allows for
50 discretionary decisions by officials and thereby fosters corruption. These characteristics deter
51 most of the exporters from accessing the existing formalised legal system. This explains why
52 legal institutions which are supposed to enhance exporting entrepreneurship are perceived as
53 constraints by the exporters. The consequence of such deficient formal institutions leaves the
54 exporters with alternative options to compensate for the weaknesses of the formal legal system.
55 Thus, the perception and negative experiences of the exporters imply a reliance on alternative
56 forms of institutions in enhancing their exporting activities.
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Personalised trust based on work relationships and middlemen (transites)

Consistent with the above findings, the exporters revealed that they relied on personalised trust relationships as Nigeria's formal legal framework had failed to attract similar levels of trust. In particular, they reported that legal contracts which were supposed to address export grievances were perceived to be unenforceable due to deficient government backed support. This is contrary to the practice in advanced market economies where entrepreneurs rely on written contracts as an important form of institutionalised trust. Thus, the entrepreneurs were able to compensate this deficiency by relying on personalised relationships built on trust to facilitate their exporting activities.

It is worth mentioning that all the exporters do not rely on contracts to facilitate their export activities. This was attributed to the negative perception they have about the law courts as identified above. Across the 36 cases 25 exporters indicated that they relied on oral agreements, while 11 exporters relied on written agreements. In particular, the written agreements (usually memorandum of understanding) were not prepared with the help of lawyers and are not to be confused for contracts as they are not legally binding.

Further, we were able to identify and categorise trust-based relationships into two broad classifications: (i) personalised trust based on working relationships; (ii) personalised trust based on middlemen or *transites*. A critical approach for gaining insights into the true meaning of these classifications was prompting the exporters to recall key events. With regards to the former, the most common response for trusting was the development of long-standing relationships built on previous interactions. All the exporters had developed trust after many years of prior interactions. Through such interactions, the SME exporters were able to build information about the reputation and ability of their partners. With such information, the exporters are able to avail and receive credit facilities from their partners.

One of the exporters summed up his response as follows:

Surely we offer credit but that credit as I was telling you yesterday is based on trust. For example, we have been doing business for two years or three years now. Sometimes our partner may have some unplanned financial problem and they approach us requesting for credit. We would give them the credit because we know their location and also their family. We also know that they cannot escape with our money (Interview number 36, Lagos).

Interestingly, the provision of credit facility is very crucial to enhancing exporting activities. A necessary consideration for giving credit is knowing the home, workplace and family of the partner. As explained in Case 36, the exporters reinforced their working relationships by having knowledge of their partner's location and family. This is done through conducting visits to the homes of their partners as a form of safeguard. With this in mind, the SME exporters are able seek the intervention of family members in cases of default. It is hoped that such interventions would disgrace the defaulting partner to repayment. The timeline for repayment was often dependent on the strength of the relationship. Credit relations could be in form of advances for goods, capital injection and *gbese* (short to long term loan facilities).

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3 This is particularly important as limited access to capital and banking facilities were identified
4 as primary constraints facing the SME exporters. An observation that applied to all the
5 respondents revealed that trust is built through reciprocity in gestures. This includes attending
6 marriages, naming ceremonies, and funerals. Attendance at the marriage of a customer or the
7 funeral of his family member is considered a norm and reflects a sign of utmost respect. As such
8 the relationship is transformed from a mere customer relationship to that of a family relationship.
9 During these events, partners are required to give provisions or white envelopes with enclosed
10 monetary gifts. This reinforces trust obligations as members make effort to reciprocate such
11 gestures.
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16 Crucially and within the classifications of personalised trust relationships, trust can be based
17 on middlemen otherwise known as '*transites*'. The '*transites*' are conceived as actors who
18 deliver rich and specific forms of resources to the SME exporters by allowing access to market
19 information. They play an important role in facilitating the distribution and delivery of goods
20 transported over long distances from their trade partners. In particular, they enable the
21 exporters bridge the '*psychic distance*', which refers to the constraints of gaining access to
22 foreign markets (Berry, 1997; Child *et al.*, 2002; Child and Rodrigues, 2007). This includes
23 reducing risks, recognising and identifying market opportunities especially when formal
24 contracts are not available.
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29 Transites are products of embedded ethnic, kinship and religious ties, which allow them to
30 benefit from the potentials of different cross border markets. Trust with transites was dependent
31 on emotional bonds to family members and membership to associations. The picture that
32 emerged revealed that the *transites* ensure that information exchange is secured despite the fact
33 they are separated by cultural and long physical distance. Specifically, such information is
34 exchanged without delay across the border markets as a result of established trust networks.
35 This goes ahead to facilitate greater opportunities for strengthened exporting relationships.
36 Consistent with this, 26 out of the 36 cases maintained that they had built trust-based
37 relationships with transites in cross border markets of Niger Republic, Mali, Accra and Burkina
38 Faso (See Table 1). There were more cited cases across the SME exporter of manufactured
39 goods (15 out of 26) than those involved in agricultural exports (11 out of 26). In all, female
40 entrepreneurs reported that they enjoy the benefits of transites
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46 A typical excerpt from indicated the role *transites* played in making secure exchanges:

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48 *With regards to my transites, anytime he meets and discusses with potential customers, he*
49 *would immediately call me and inform me that the clients would require specific amount of*
50 *goods. He would say, this customer wants to hear from you, and they are interested in your*
51 *business and may like to partner with you. Immediately, I would tap into that opportunity and*
52 *move with business (Interview number 19, Lagos).*
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54

55 Interestingly, it was observed that government officials also played the roles of transites. A key
56 respondent pointed to a plain clothed custom official who exploits his role at the cross-border
57 toll gates. In his capacity as a part time *transite*, the custom official is usually tasked to deliver
58 goods to other trade partners in foreign markets.
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3 His role as a *transite* is considered very important, as the goods are not subject to checks by
4 other border officials, thus guaranteeing little or no interference. However, such cooperation
5 can only be achieved after receiving his *egunje* (settlement), thereby gaining his trust. Most of
6 the respondents revealed that information about the reputation of the *transites* came from
7 existing links and other working relationships. Such information was based on the historical
8 records of honesty, reliability and dependability of the *transites*. Additionally, some of the
9 respondents explained that sanctions exist when *transites* break trust relationships. The
10 sanctions may range from shaming, to damaging the personal reputation of the *transites* and
11 exclusion from potential trade activities.
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16 This is consistent with the notion that reputation usually takes a long time to build, however it
17 can be easily damaged. Thus, knowledge of the *transite*'s reputation plays an important role in
18 entering any form of relationships. Across the border markets such information about their
19 trustworthiness is disseminated effectively through quick gossips.
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22 ***Indigenous trade associations as alternatives***

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25 Arguably, trade associations are one of the most unique features of West African export trade.
26 They play specific roles such as providing support for exporters, enabling the exchange of
27 market information and ensuring that certain market rules are followed. As such, these
28 associations function in parallel to the inefficient features of the formal environment which
29 impinge upon the exporters. With regards to trust, trade associations are an important source of
30 alternative institutionalised trust. In this vein, the trade associations are able to bridge the
31 relationships between exporters and their foreign counterpart. The empirical findings uncovered
32 that a majority of the exporters relied on industry-specific trade associations which function
33 entirely separate from the state. The trade associations were able to enforce export agreement
34 (verbal or written) and provide access to foreign markets.
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39 A majority of the exporters (29 out of 36) belonged to trade associations. Overall, the
40 composition showed that the 29 exporters belonged to 21 different trade associations. The
41 typical responses uncovered the trade association's unique capacity to bestow trust on its
42 members. Specifically, its regulatory role in sanctioning members who have gone contrary to
43 the existing trade norms was very evident. This was summed up by the response of an exporter
44 of furniture to Benin and Ghana:
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48 *In such situations, what the association does is to ensure that when erring members come to*
49 *ask for business relationships or referrals, the association will not grant them. Hence, because*
50 *of this everyone tries to avoid a bad reputation. Once the association blacklists you, you know*
51 *that is the end of your business. This business, a lot of the time is a family business, so you*
52 *want to build a legacy for your children and future generation. You don't want to destroy that*
53 *legacy* (Interview number 33, Abuja).
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3 The scope and function of trade associations in building trust among its members, is indicated
4 in its ability to promote trust among members. In this way, trust is built as members are weary
5 of sanctions which may include reputation damage and ostracisation. This is summed up by an
6 exporter who exports fresh vegetables to Chad and Togo:

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8
9 *'It depends on the gravity of the offence. For example, you can be suspended or expelled from*
10 *the association; and no one will transact business with you in the markets. I mean no one (Case*
11 *8, Bokkos, 2017).*

12
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14 The above excerpt highlights the role and reach of associations in resolving disputes between
15 exporting partners in neighbouring markets. The Chairman, who oversees the general
16 functioning of the association, acts as a surety for the debt of a partner who fails to fulfil their
17 obligations. The trade associations were also reported to provide advisory services by sharing
18 market information.

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21 This includes creating arenas for price settings and ensuring that such prices are followed.
22 Specifically, the indication suggests that trade association represents the interests of its members
23 by acting as a bridge between exporters and partners in foreign markets. Interestingly, the
24 strength of such practices such as shared values is instrumental in fostering trust relationships
25 among members. This is particularly pertinent, as trust is able to thrive when confidence exists
26 in other exporting members, especially when there is a possibility to act opportunistically.

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32 **Insert Table 3 about here**

33 ***Cultural associations of family kinship and religion***

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36 One of the most salient features of the respondents is the overwhelming influence of
37 family/kinship, ethnic and religious ties in building trust with trade partners. Within Nigeria
38 and indeed across Africa, family/kinship, chieftaincy and religion are considered very
39 important, more than how it is accorded across Western societies. The sheer power of
40 family/kinship, chieftaincy and religious solidarity is often demonstrated in the need to build
41 economic relations with one another. Thus, the durability of such economic relations is
42 specifically underpinned by trust. Specifically, a majority of the exporters (30 out of the 36)
43 relied on cultural norms of family/kinship, chieftaincy and religious ties in building trust with
44 their customers and transites. This is based on the knowledge that family/kinship and ethnic
45 bonds, as well as religious beliefs foster trust relationships. 7 women entrepreneurs also
46 indicated that they relied on these norms.

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49 Like trade associations, the cultural institutions of chieftaincy play specific functions in dispute
50 resolutions and are responsible in ensuring and enforcing expected behaviour. The Leaders
51 who are referred to as *Bale* or *Onye-Isi* are tasked with settling disputes and making judgements
52 which every member is expected to abide by. Members who choose not to accept rulings are
53 either ostracised or may not get the support of the council in the event of future disputes. In
54 this way, such institutions are able to build trust by ensuring that the exporters perceive them
55 to be able to sanction individuals who go against existing norms.

Beyond the family/kinship and ethnic structures, a significant part of the Nigeria's indigenous structure is founded on religion. Generally, a relative number of Nigerian exporters are traditionalists who believe in ancestral deities. One of the entrepreneurs describes the role of traditional beliefs system in building trust:

I only partner with people who have the same belief, because if you don't believe in our god or our tradition, how do you want to deal with us? That means it will be possible to cheat us. So, you have to be of the same belief if you choose to do business with us. We make you take the Iyi (oath)... do you understand? The Iyi and belief in tradition makes the business and relationship stronger (Interview number 14, Ero).

Case 14's response describes that exchange partners are obliged to draw on religious beliefs of *Iyi* (oath) in promoting trusting relationships. The evidence from the excerpt indicates that exporters are bound together by shared religious norms, thus reducing the chances of malfeasance or trust violation. The use of oaths as sanctioning mechanism portends great dangers in event of default. For instance, partners are warned about incurring the wrath of the traditional deities, as curses maybe invoked as punishment.

Another development revealed how Islamic beliefs enforced trust between trade partners. A Yoruba exporter of sugarcane explained how strong Islamic beliefs enhanced trade with his partners in the neighbouring markets of Chad and Niger Republic:

Yes, in our agreement... we ensure that we would work well together and not cheat each other. So, we would open specific passages in the Holy Quran and take an oath which is binding on our agreement. Through this, we have trust that the other partner would not cheat us, and this would reduce the fear of cheating. That is the reason why most Muslims fear to do wrong in this our export business. With this, they would not cheat any partner in this business (Interview number 31, North Central, 2017).

The statement from Case 31 indicates how religious beliefs shape the process of trust building. Religion plays an important role in allowing the exporters establish trade relationships with people whom they may not know very well. Despite, the importance of indigenous institutions, female SME exporters claimed that they faced discriminations of not being accepted into trade, cultural and religious associations. The obstacles facing the female exporters were simply for the reason of gender. It is not surprising that these institutions have failed to recognise the immense contributions of women, as sensitivity to the barriers faced by women entrepreneurs reveal a high level of masculine domination across every sphere of the society. The underlying norm within West Africa, justify that women should not be elevated to joining men in meetings.

Discussion

This main purpose of this study was to analyse and explore issues related to institutions and trust. Especially issues which had to do with the institutional rivalry and how indigenous institutions shaped exporting relationships. Overall, the goal was to achieve a richer narrative about how SME exporters took advantage of indigenous institutions competing in parallel to weak/dysfunctional and inefficient state-backed ones.

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3 Within the remit of this study, we recognise that entrepreneurship should be interpreted within
4 the context in which these SMEs operate. The unique insights developed in the study revealed
5 that the difficulties faced by the entrepreneurs were exacerbated through a lack of support from
6 formal state backed institutions. Through cross-case analysis a uniform pattern indicating that
7 the owners of exporting SMEs perceived the formal law courts were described as being too
8 corrupt, bureaucratic, a waste of time and reserved for the rich emerged. The competences of
9 the court officials were cited as hindrances to effective legal processes. Given the
10 weak/dysfunctional formal institutional contexts, the exporters did not rely on contracts to
11 facilitate their trade activities. This was attributed to the negative perception they had about the
12 judicial system.
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17 The exporters were found to rely on oral and written agreements to address their trade
18 negotiations. Commonality in responses revealed that all the exporters relied on working
19 relationships and the use ‘*transites*’ to deliver rich and specific forms of resources. In
20 compensating for the weaknesses of the law courts, the findings revealed that indigenous
21 institutions, such as ties to cultural, religious and trade associations had evolved to fill the role
22 of formal institutions. Specifically, the article also revealed how the respondents relied on
23 networks of family relationships to develop trust; thereby enhancing their access to market
24 information (Child *et al.*, 2002; Oviatt and McDougall, 2005; Amoako and Lyon, 2014;
25 Amoako, 2019). Specifically, the knowledge developed in this study is particularly important
26 in the African context. It indicated that it is customary for family members and relatives to
27 support the enterprise of a family/kin. In fact, such help was often perceived as obligatory,
28 since the wealth of a family member was viewed as the common property of all. Interestingly,
29 this peculiar social structure has been institutionalised across the Nigeria’s cultural structures;
30 although evidence within the analysis points to its predominance across the Igbos exporters.
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36 The parallel roles performed by the indigenous institutions include providing welfare support
37 for the SME exporters, providing access to credit, providing arenas for price setting and
38 ensuring that members conform to existing norms. Through these functions, trust is built as
39 members perceive acknowledge that the indigenous institutions possess the ability to enforce
40 agreements and sanction defaulting members. Not surprisingly, the strength of family ties was
41 found to be crucial in facilitating the bridging of psychic distance. Most of the SME exporters
42 described that they relied on trust built over generations across socially embedded structures
43 of family and kinship. The particular emphasis draws attention to how social relations are built
44 through mechanisms of trust.
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49 Evidence across the cases points to the unique role of trade associations which operate as an
50 alternative to state-backed support agencies. This finding revealed that they performed quasi-
51 regulatory functions such as encouraging appropriate values and behavioural norms. In cases of
52 trade disputes, these associations are quick to resolve them through the powers of the trade
53 leader. Further along these lines, we attempted to balance the concept of institutional rivalry in
54 such a way that it provides an understanding of how alternative indigenous institutional
55 arrangements such as religious beliefs, norms and assumptions provide meaning to
56 entrepreneurs. This was essential for illustrating the respective institutions which structure
57 entrepreneurial interactions.
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3 Although trust enhances exporting activity in contexts which lack a formalised institutional
4 environment (Wu *et al.*, 2014; Amoako *et al.*, 2018), empirical evidence regarding trust in
5 informal institutional arrangements is limited. This study contributes to the ongoing
6 understanding of how trust in informal institutional forms can reduce uncertainty; provide
7 exporting information, regulation and arbitration.
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10 While one acknowledges that trust plays an important role in enhancing entrepreneurship, we
11 warn of the danger of having a romanticised view of trust (Lyon, 2000). Specifically, indigenous
12 institutions can encourage the development of trade mafias or trade cartels which would restrict
13 access to markets. Accordingly, the danger of having a romanticised view is the issue of
14 inclusion and exclusion criteria of members into trade networks. For instance, networks based
15 on close ties built around strong loyalties and family attachments or as Woolcock (1998) puts it
16 ‘*amoral familism*’, discourages members from developing economically and geographically. In
17 some cases, such ties may deter the ability to engage in amicable resolution of conflict
18 resolutions with members outside such networks.
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23 The results also reveal that in the absence of formal institutional arrangements, SMEs were
24 found to rely on trust to enforce trade exporting agreements. This observation is not different
25 from previous studies where trust was found to enhance SME internationalisation (Ibeh *et al.*,
26 2012; Sheng and Mendes-Da-Silva, 2014; Amoako and Matlay, 2015; Omeihe, 2019). However,
27 in this article, we highlight that in Nigeria and by extension West African markets; there are a
28 variety of indigenous informal institutions that enhance exporting activity and they appear
29 different to institutional forms found across world. As a consequence, our research findings do
30 not support the assumption that SMEs operating in less mature markets may be moving towards
31 institutional arrangements found in advanced markets. On the contrary, while SMEs may have
32 the chance to develop new exporting relationships, we contend that their actions are embedded
33 in trust-based relationships and indigenous informal institutions which flourish in enhancing
34 exporting agreements.
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40 As noted earlier, obtaining a rich and valid picture of institutional rivalry demanded capturing
41 the true and valid experience from the lens of the local actors. Within literature, extant studies
42 have always gone ahead to provide narratives around SMEs and have along the way lost sight
43 of the decision makers who make these SMEs function. We have paid direct attention to the
44 SME owner/mangers as the unit of analysis since they are tasked with the key decision process.
45 In this vein, we sought to obtain the rich picture of their actual experiences, while going ahead
46 to uncover logics of the competing rivalry. Additionally, if the study had not focused on the real
47 actors behind the business, it would have been difficult to understand their interpretations and
48 experiences. These were instructive as they revealed the simplicity and uniqueness of
49 institutional rivalry. Thus, a major contribution of this study is ensuring that the richness of trust
50 as a phenomenon was elucidated by allowing actors give an account of their experiences. This
51 includes pushing back the boundaries of knowledge by providing compelling and logical
52 justifications. We add that only through this can a proper understanding of the issues at hand be
53 resolved.
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Research Limitations

From an originality viewpoint, adopting a purely quantitative study may have been flawed, as a major challenge with quantitative studies lies in measuring concepts numerically. This limitation is further amplified by Mollering (2006), who points to the difficulty of measuring an abstract concept such as trust. In this vein, we argue that quantitative methods do not provide a richer understanding of trust; as a reliance on quantitative data would have restricted the contextual explanation of trust which this article seeks to explore. This notion implies that human actions are concerned with understanding of meanings, which is an interpretative matter rather than a casual explanation.

Correspondingly and per study limitations, it is in our opinion that while our research has revealed the importance of understanding the concept of institutional rivalry, we have not examined the historical process through which these indigenous institutions have emerged. In this case, comparative studies which examine the evolution of indigenous institutions will richly enhance the development of institutional rivalry across other unique contexts.

Conclusion

This article has set out to examine an under researched aspect of institutional rivalry in Nigeria and by extension Africa. We aimed at understanding how alternative institutional forms could function in parallel to weak formal institutions. In directing attention to this novel phenomenon, we revealed that entrepreneurs relied on indigenous institutions to enhance economic exchange in the face of deficient courts and legal institutions. While previous studies have focused on the concept of institutional void, we have established the alternative concept of institutional rivalry. Our promising conceptualisation indicates the interplay between two competing institutional frameworks. On this basis, the expectation is that future studies can build on this study to contribute more useful insights. In particular, we have set out to lay the foundations of how SMEs rely on indigenous institutions in facilitating exporting relationships. We have also laid out arguments which illustrate the role of indigenous institutions acting in parallel to weak formal institutions. In this vein and quite importantly, future studies should avoid gliding over Nigeria's socio-economic context, as this would lead to incorrect assumptions and macro-theorisations. As such, this may portend challenges for African development. Thus, it is important that the findings reached in this study should deepen the dialogue by providing well founded and valid insights for future studies.

It is particularly noteworthy that an area of study which has been neglected is the process of exporting to developed countries from contexts which lack efficient formalised institutional arrangements. While this has been outside the remit of our study, our findings make one to wonder whether trust and informal institutions will assume similar importance as those found while exporting across West African regional markets. We believe that future studies can provide the much-needed explanations.

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3 Of necessity, is our line of policy and practice implications which reveal that SMEs play an
4 important role in economic development, although their activities to a large extent have been
5 largely ignored. Thus, recognising their potential advantages, forging of new exporting
6 relationships can be mobilised to boost the regional trade. The dialogue about the influence of
7 indigenous trade associations and the welfare implications of such associations holds promise
8 for African trade. In contributing to practice, this article concludes that such associations do not
9 only create individual benefits for members, rather they contribute to the development of the
10 broader society.
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15 In attempts to establish institutions which facilitate trade exports across Africa, formal export
16 facilitators and donor agencies often look to the West as models (Chamlee-Wright, 1993). This
17 indeed has been the case with Nigeria and other parts of Africa, as a lack of understanding of
18 Nigeria's socio-cultural influence has resulted to a misplaced interpretation of its indigenous
19 institutions. We argue that indigenous institutions have evolved to fill the gap which western
20 institutions have not been able to fill and are successful when operating within Nigeria's peculiar
21 context. Therefore, it becomes pertinent for a consideration of specific indigenous institutions
22 when implementing future trade support initiatives.
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26 Although this article has not fully concentrated on cross border trade activities, we also expect
27 that questions should be raised about investments in infrastructure which still remain insufficient
28 to support SME activities. Without this, SME exporters may continue to witness lengthy delays
29 in the transportation, as roads to border markets continue to remain inaccessible. Consequently,
30 although most SMEs prefer to bring their cargo into Nigeria by road, they face the challenge of
31 being harassed by government officials who demand for kickbacks. For a very long period, this
32 has inhibited cross border trade especially along the Lagos-Cotonou highway. Such illegal
33 revenue generations are a main feature of such locations, as exporters are frequently harassed
34 by government officials for routine checks. These challenges would encourage the informality
35 of trade as the exporters would negotiate payments to the government officials in order to secure
36 a smooth passage. Thus, the scope should consider a reduction in opportunities for such officials
37 to engage in illegal revenue generation.
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43 Further indications also points to the top trading partners of Nigerian SMEs. The cases were
44 instructive as they revealed that West African traders from Togo, Burkina Faso, Ghana, and the
45 Republic of Benin appear to be the largest trading partners for Nigerian SMEs. Hence, a solution
46 in the right direction should acknowledge this evidence by fostering investing trading activities
47 with these partners.
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50 For this reason, our recommendations indicate policies which the government should implement
51 if they want to increase export trade, generate employment and standard of living across its
52 people. These recommendations are influenced from first-hand evidence from field work
53 undertaken across three central trading states. Furthermore, such an attempt is aimed at
54 promoting the Nigerian SMEs and favourable indigenous institutions which support their
55 exporting activities. Thus, it becomes expedient to compliment the activities of trade
56 associations, religious, cultural and family networks as they form a source of comparative
57 advantage.
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Table 1: Details of sampled SME owner managers

Case No	Year established	Employees	Ethnicity	Main export markets	Gender	Age	Educational level	Sector
Case 1	2002	15	Hausa	Niamey-Niger Republic	Male	28	Islamia	Agriculture
Case 2	2002	35	Hausa	Chad, Niger	Male	35	Diploma	Manufacturing
Case 3	1994	17	Hausa	Niger, Ghana	Male	40	Diploma	Agriculture
Case 4	1998	5	Hausa	Niger, Chad	Female	45	Elementary	Agriculture
Case 5	1995	8	Hausa	Ghana, Niger	Female	43	Elementary	Agriculture
Case 6	1994	12	Hausa	Cameroun, Chad	Male	40	Diploma	Agriculture
Case 7	2000	10	Hausa	Cameroun	Male	41	Elementary	Agriculture
Case 8	2011	12	Hausa	Chad, Togo	Male	28	Secondary	Agriculture
Case 9	2002	19	Hausa	Togo	Male	35	Elementary	Agriculture
Case 10	2003	30	Hausa	Mali, Niger	Male	37	Islamia	Manufacturing
Case 11	2007	7	Igbo	Senegal, Mali, Niger	Male	52	Diploma	Manufacturing
Case 12	2000	8	Igbo	Ghana	Male	30	Graduate	Manufacturing
Case 13	2014	20	Yoruba	Ghana, Bukinafaso	Male	37	Elementary	Agriculture
Case 14	2007	6	Igbo	Cameroun	Male	39	Secondary	Manufacturing
Case 15	2002	30	Igbo	Senegal, Togo, Mali	Male	30	Secondary	Agriculture
Case 16	2010	12	Yoruba	Togo, Egypt, Sudan, Saudi	Male	38	Secondary	Manufacturing
Case 17	2000	30	Yoruba	Togo, Liberia, Guinea	Male	38	Secondary	Manufacturing
Case 18	2003	12	Yoruba	Togo	Female	37	Secondary	Manufacturing
Case 19	2013	15	Yoruba	Ghana, USA	Male	39	Secondary	Manufacturing
Case 20	2003	16	Igbo	Ghana, Niger, Togo	Male	46	Primary	Agriculture
Case 21	2005	25	Yoruba	Ghana, Abidjan, Mali	Male	41	Graduate	Manufacturing

Case 22	2002	16	Igbo	Liberia and Kenya	Female	30	Secondary	Agriculture
Case 23	2009	19	Yoruba	Senegal, Togo, Kenya, Amsterdam	Male	39	Diploma	Agriculture
Case 24	2002	16	Yoruba	Cote D'Ivoire	Male	50	Primary	Manufacturing
Case 25	2006	10	Hausa	Togo, Ghana, Dubai	Female	41	Graduate	Agriculture
Case 26	2004	12	Yoruba	Togo	Female	41	Secondary	Manufacturing
Case 27	2008	15	Igbo	Niger, Chad	Female	33	Graduate	Manufacturing
Case 28	2012	14	Hausa	Togo, Chad	Male	34	Islamia	Manufacturing
Case 29	2005	19	Yoruba	Togo	Male	31	Elementary	Manufacturing
Case 30	2012	30	Yoruba	Burkina Faso, Togo	Male	25	Secondary	Agriculture
Case 31	2012	9	Yoruba	Ghana, Niger, Chad	Male	28	Diploma	Agriculture
Case 32	2002	15	Igbo	Ghana	Female	43	Secondary	Agriculture
Case 33	1999	25	Yoruba	Benin Republic, Ghana	Male	48	Secondary	Manufacturing
Case 34	1997	15	Hausa	Chad, Niger	Male	39	Secondary	Manufacturing
Case 35	1999	42	Igbo	Rodoroko-Burkina Faso	Male	44	Secondary	Manufacturing
Case 36	1989	38	Igbo	Brazil, UK, Ghana, Chad, Cameroun	Male	60	Secondary	Manufacturing

Table 2: A sample of responses from the participating SME owner managers

Cases	Negative perception of the legal system in Nigeria and West African markets
Case 35	The court process is a long process and it involves paperwork. Most of our customers are not educated and they don't have time for the long paperwork.
Case 2	The problem with the court is the delay in dispensation of justice; as it is said that justice delayed is justice denied. That is why our people don't trust the judiciary.
Case 13	The courts are expensive. It is expensive to be in the court and the people take kickbacks. So, I don't use contracts.
Case 14	Personally, I don't use the courts. I am not a rich man; the courts are for the rich and only for the rich people. The courts are of no concern to me and my charcoal business. In short, I don't believe in going to the courts.
Case 15	If you are rich, that is when you would be seen in court. The only thing is that courts work when you have money, lots of money. With that you would win a case at the court. If we have anything involving the courts, we don't get involved. We settle them personally.
Case 16	These lawyers like to speak too much English and the system is so bad. I travel to other markets within Africa and avoid anything involving courts because the process takes long. In short you would be there forever. The court process can take up to seven to eight years; you may never even come out from the court process. My friend has been for more than seven years now.
Case 4	We don't believe in the court system. We don't have the time, because we don't have the time for bureaucracy.
Case 20	The rich people in Nigeria are the only ones who go to court. I don't take people to court, because the court is expensive, and the process takes time. They can tell me to come back in twelve months' time. I don't have that type of time as I have a business to run.
Case 21	The corruption is too much, that is the reason why I avoid them. My problem is that if you go to court in Nigeria, and you don't have connections and money, you will lose the case.
Case 22	I don't trust the court people because you would end up losing your money to bribes.
Case 25	First of all, there is too much bureaucracy, it takes a very long time to complete or conclude court related issues. So, the length of time is my problem, that is why.
Case 26	No, I don't do courts. I have tried once, and it did not work. There will be much delay in dispensing justice, and you will end up spending all your business money.

Table 3: The functions of exporting trade associations

Export Trade association	Function	Location and association reach
Paki Association	<ul style="list-style-type: none"> • Sharing market information • Provide access to credit • Conflict resolution 	Nigeria, Ghana, Mali, Liberia, Guinea, Cote d'ivoir and Burkina-Faso
Fruit and Vegetable association	<ul style="list-style-type: none"> • Resolve conflicts and mediating in trade disputes • Provide advisory and financial aid • Networking 	Nigeria and Cameroun
All Farmers Association of Nigeria	<ul style="list-style-type: none"> • Conflict resolution and mediating in trade disputes • Credit and mutual assistance • Information on members and export markets 	Nigeria, Chad and Niger Republic
Kechime food stuff	<ul style="list-style-type: none"> • Conflict resolution and mediating in trade disputes • Reduce massive exploitation from government officials 	Nigeria, Togo and Chad, Cameroun, Ghana.
Cucumber Association	<ul style="list-style-type: none"> • Reduce massive exploitation from government officials • Support transportation and delivery of perishable goods • Access to new markets 	Nigeria, Chad, Togo Ghana, Cameroun and Burkina Faso
Eastern Designs Association	<ul style="list-style-type: none"> • Sanction erring members • Access to markets and market information • Price setting 	Ghana and Nigeria
Groundnut Traders association	<ul style="list-style-type: none"> • Credit and mutual assistance • Information on members and export markets • Umbrella body and representatives of farmers at government parleys 	Nigeria, Ghana and Burkina-Faso
Umufuru Coal traders	<ul style="list-style-type: none"> • Conflict resolution settled through local chiefs • Supporting Igbo exporters of coal • Regulate activities of members through oath taking • Provide information about reputation of existing and potential members 	Cameroun