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RELATIONAL TRUST AND ENTREPRENEURIAL SUCCESS IN A FRAGILE ENVIRONMENT: EVIDENCE FROM INFORMAL MARKET IN ADAMAWA STATE, NIGERIA

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Abstract

This study investigates the influence of Relational Trust on entrepreneurial success in fragile environment, with evidence from informal market in Adamawa State, Nigeria. A region affected by insecurity and infrastructural deficits. The role of non-financial factors in entrepreneurial performance has gained increased attention, especially in developing economies characterized by weak formal institutions. The study is anchored on Social Capital Theory, and employed a descriptive survey design with data from 238 entrepreneurs randomly selected from major markets in Yola North, Yola South, and Mubi North Local Government Areas. Data were collected using a structured questionnaire measured on a 5-point Likert scale and analyzed using descriptive statistics, Pearson correlation, and multiple regression via SPSS 26. The findings reveal that Relational trust has a significant positive influence on entrepreneurial success ($\beta = 0.584$, $p < 0.001$), explaining 46.2% of the variation in success indicators. Customer trust, supplier trust, and business partner/peer trust were all found to be significant predictors. The study concludes that Partners trust serves as a critical substitute for formal contract enforcement in fragile environments. It recommends deliberate trust-building practices, strengthening of market associations, and policy interventions that foster social capital among entrepreneurs in Adamawa State.

Keywords: Relational Trust, Contract Enforcement, Social Capital, Informal Enterprise.

Introduction

Entrepreneurship is widely recognized as a catalyst for fostering economic development, and reducing poverty, particularly in developing economies like Nigeria (Philiph p., A. & Zakariya, B, 2025). In Adamawa State, located in North-Eastern Nigeria, entrepreneurship is predominantly informal, with over 80% of economic activities occurring outside formal regulatory

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frameworks (National Bureau of Statistics [NBS], 2023). The operating environment for entrepreneurs in Adamawa State is particularly challenging. The region has experienced prolonged farmer-herder conflicts and Boko Haram-related insecurity, which has eroded social cohesion and disrupted market systems (International Crisis Group, 2022). In addition, weak infrastructural support, limited access to formal credit, and poor contract enforcement force entrepreneurs to rely heavily on informal mechanisms. In such contexts, Relational Trust becomes a critical asset. Fukuyama (1995) argued that trust is the lubricant of economic exchange. When formal institutions fail, trust reduces transaction costs, facilitates credit without collateral, and ensures business continuity. Relational Trust guarantees Entrepreneurs to collect goods from suppliers based on built trust. Despite the importance of Relational Trust, empirical studies on how Relational Trust influences entrepreneurial success in Adamawa State still remain scarce. Most studies on Relational trust have focused on Lagos, Kano, and Abuja, neglecting conflict-affected regions where Relational Trust is both more fragile and more important. This study come handy to fills this gap. The main objective of the study is to examine the influence of Relational Trust on entrepreneurial success in Adamawa State. The study test hypotheses to see whether Relational Trust, Customers, Suppliers and Partners/Peer Trust have no significant influence on entrepreneurial success in Adamawa State.

Literature Review

Concept of Trust

Trust is defined as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor (Mayer et al., 1995). relational trust occurs when this vulnerability is reciprocal. In entrepreneurship, it manifests in three forms: (a) Customer Trust - confidence that customers will remain loyal and pay promptly; (b) Supplier Trust - belief that suppliers will deliver quality goods on time and on credit; and (c) Partner/Peer Trust - confidence among co-entrepreneurs in joint contributions.

Concept of Entrepreneurial Success

Entrepreneurial success is multidimensional. It is not limited to profit but includes business survival beyond three years, sales growth, profitability, employment growth, and customer base expansion (Wiklund & Shepherd, 2005). In the informal sector, success is also measured by the ability to withstand shocks and maintain daily cash flow in business performance Owot et al (2023).

Theoretical Framework

Social Capital Theory

This study is anchored on Social Capital Theory propounded by Bourdieu (1986) and expanded by Putnam (1993) and Coleman (1988). Social capital refers to the resources embedded in social networks - trust, norms, and reciprocity - that facilitate cooperation. The theory argues that entrepreneurs with higher social capital have access to information, credit, and support that other lack. In environments where formal institutions are weak, social capital becomes a substitute for legal enforcement (Welter, et al 2012).

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Empirical Review

Several studies have established the link between Relational Trust and entrepreneurial performance. Owot, et al (2023) in a study of 396 agro-business farmers and traders in Northern Uganda- similar context to Northern found Trust to directly improve supply chain performance. Nigeria. Adebayo et al. (2023) in a study of 400 SMEs in Lagos found that customer trust had a positive effect on customer retention and profitability. In Sub-Saharan Africa, Anokhin and Schulze (2009) found that in high-trust regions, entrepreneurship thrives due to reduced monitoring costs. In Ghana, Amoako and Lyon (2014) demonstrated that small exporters rely on trust-based relationships to manage international transactions. In North-Eastern Nigeria, Musa et al. (2021) observed that communal conflicts in Adamawa eroded inter-group trust, leading to market segmentation. However, the studies consulted did not quantitatively link it to entrepreneurial success. This study extends this literature by providing quantitative evidence from Adamawa State.

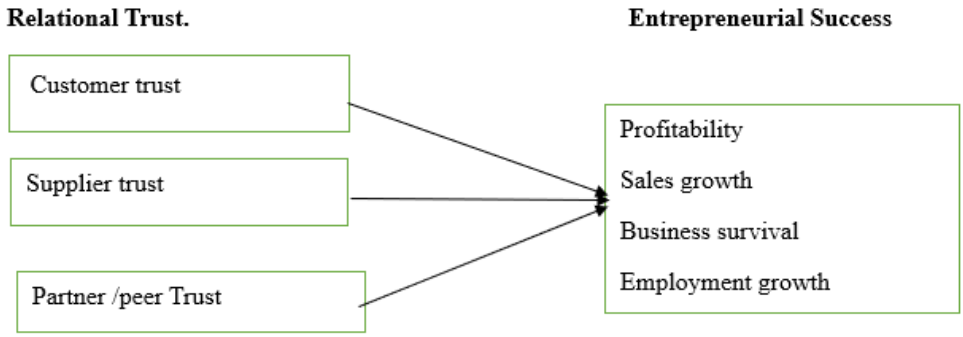

Figure 1: Conceptual Framework
Source: Theoretical Review 2026

Relational Trust (Independent Variable) -> Entrepreneurial Success (Dependent Variable)
Dimensions: Customer Trust, Supplier Trust, Partner/peer Trust -> Indicators: Profitability, Sales Growth, Business Survival, Employment Growth.

Methodology

The study adopted a descriptive survey research design, which is suitable for studying attitudes and relationships between variables. The study area is Adamawa State, with focus on three commercial hubs: Jimeta Modern Market (Yola North), Yola Main Market (Yola South), and Mubi Main Market (Mubi North). These markets host over 15,000 Micro and Small Business Enterprises. The Population of the study is approximately 15,000 entrepreneurs operating in Commercial hubs of Adamawa State. The study draws 390 samples from the three selected towns of Adamawa State using Taro Yamani formula. A total of 390 questionnaires were administered to entrepreneurs in Jimeta, Yola and Mubi markets of Adamawa State, out of which 238 valid questionnaires were returned representing 61% response rate. This is considered good for analysis according to Babbie (2013) who stated that 50% response rate is adequate, 60% good and 70% is very good. Stratified random sampling were used to select the respondents. The Markets were divided in to strata with proportionate allocation of respondents: 110 from Jimeta, 95 from Yola and 85 from Mubi. A

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structured questionnaire divided into three sections: Section A (demographics), Section B (Relational Trust - 12 items adapted from Mayer et al., 1995; Section C (Entrepreneurial Success - 10 items adapted from Wiklund & Shepherd, 2005). 5-point Likert scale: 1=Strongly Disagree to 5=Strongly Agree. Cronbach Alpha was used to check reliability of the instruments. SPSS version 26 was used to analyse data, which includes: Descriptive statistics (mean, SD), Pearson correlation, and multiple linear regression. The decision rule: $p < 0.05$.

Model: $ES = \beta 0 + \beta 1CT + \beta 2ST + \beta 3PT + e$.

Data Analysis and Results

Table 1 Demographic Analysis of the respondents

Variable	Category	Frequency (N=238)	Percent (%)
Gender	Male	154	64.7
	Female	84	35.3
Age	18-30 years	72	30.3
	31-45 years	99	41.6
	46 years and above	67	28.1
Education	Primary	28	11.8
	Secondary	118	49.6
	Tertiary	92	38.6
Business type	Retail Trade	138	58.0
	Services	61	25.6
	Manufacturing	39	16.4

Source: SPSS output 2026

Respondents' responses indicate that 64.7% of the respondents were male while 35.3% were female which shows that entrepreneurship in Adamawa is male-dominated due to cultural norms and security risks that restrict female mobility in North-East. However, 35.3% female is significant improvement from past from past studies. On age of the respondents, 41.6% are 31-45 years which is economically active group. This age bracket has family responsibilities and uses entrepreneurship for survival after job losses from conflict. 68% of the respondents are with secondary education, which indicates moderate human capital. Most traders in Adamawa have basic education, which affects record keeping but not trust-building, as trust is built through repeated interaction not certificates. Also 58% of the respondents operate retail trade. Retail requires low capital and depends heavily on supplier trust for goods on credit.

Table 2 Reliability statistics

Construct	Cronbach alpha	No of Items	Remark
Relational Trust	0.87	12	High
Customers Trust	0.81	4	High
Supplier trust	0.84	4	High
Partner/peer trust	0.79	4	Acceptable
Entrepreneurial success	0.84	10	High

Source: SPSS output 2026

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All the scale exceeded the 0.70 threshold recommended by Nunnally and Berstein (1994). Relational Trust had 0.87, Customers Trust had 0.81, Supplier trust, Entrepreneurial succes had 0.84 respectively, while Partner/Peer Trust had 0.79. this justifies high internal consistency among the variables under study.

Descriptive Statistics of Study Variables

Table 3 Correlation Analysis

Variable	Mean	Sd	1	2	3	4
Relational Trust	**3.85**	**0.61**	**1**			
Customers Trust	**3.79**	**0.68**	**0.78****	**1**		
Supplier Trust	**3.91**	**0.65**	**0.82****	**0.58****	**1**	
Partner/Peer Trust	**3.76**	**0.71**	**0.75****	**0.51****	**0.49****	**1**
Entrepreneurial Trust.	**3.72**	**0.58**	**0.68****	**0.62****	**0.65****	**0.59****

Source: SPSS output 2026

The table above shows results of correlation analysis. Relational Trust over all: M = 3.85, Sd = 0.61-high. On 5point Scale, 3.5> is high. This means that entrepreneurs perceive high Relational Trust despite insecurity. Entrepreneurial success: M= 3.72, Sd= 0.58 is high. This means that despite challenges of Boko Haram, Farmer herders clash, trust level remains high among entrepreneurs. Pearson correlation analysis between Trust and Entrepreneurial success shows: r = 0.68, p = 0.000. Customer trust r=0.62, Supplier trust r=0.65, Partner/Peer trust r=0.59. All significant at 1%. The coefficient r=0.68 indicates that as mutual trust increases, entrepreneurial success also increases. Using Cohen (1988) guidelines, 0.68 is a large effect size. This means entrepreneurs who enjoy high trust from customers, suppliers and partners tend to achieve higher profitability, sales growth and business survival. For the dimensions: Supplier Trust had the highest correlation (r=0.65, p<0.001), followed by Customer Trust (r=0.62, p<0.001) and Partner/peer Trust (r=0.59, p<0.001). All were significant at 0.01 level. The dominance of supplier trust is logical in Adamawa where 58% are retail traders who depend on suppliers from other parts of Nigeria for goods on credit. Without supplier trust, they cannot get stock. Customer trust (0.62) ensures repeat purchase and allows credit sales. The results corroborate Owot et al (2023) who found r=0.71 between supplier trust and trade credit in Kano, and Adebayo et al. (2023) in Lagos.

Regression Analysis

Table 4 Model Summary

Model	R	R Square	Adj. R Square	Std Error	F	Sig.
1	0.680	0.462,	0.455	0.412	67.32	0.000b

Source: SPSS output 2026

The table above present result of Regression analysis which is R = 0.680, R^2 = 0.462, Adjusted R^2 = 0.455, F = 67.32, p <0.001. This means Relational Trust explains 46.2% of variance in entrepreneurial success. The model summary shows R=0.680, which is the multiple correlation coefficient. R^2=0.462 indicates that mutual trust (customer, supplier, partner/peer trust) explains 46.2% of the

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variation in entrepreneurial success in Adamawa State. This means 46.2% of changes in success are accounted for by trust. The remaining 53.8% is explained by other factors not in this model such as access to finance, infrastructural support, education, and security, which are major constraints in North-East Nigeria. Adjusted R^2=0.455 (45.5%) is close to R^2, indicating the model generalizes well and is not overfitted. According to Henseler et al. (2009), R^2 of 0.462 in social science research is considered moderate to substantial, especially in fragile contexts where many external shocks affect businesses. The F-statistic F (3,234) =67.32, p<0.001 is significant, indicating the regression model is a good fit for the data and can significantly predict entrepreneurial success.

Table 5 Regression Coefficients

Model	B (Unstd.)	Std. Error	Beta (Std)	t	Sig.
(Constant)	1.240	0.182		6.813	0.000
Customer Trust	0.214	0.062	0.245	3.452	0.001
Supplier Trust	0.312	0.062	0.351	5.024	0.000
Partner/peer Trust	0.189	0.063	0.212	2.984	0.003

Source: SPSS output 2026

The table above shows regression coefficient result: Constant β=1.24, p=0.000, Customer Trust β=0.214, t=3.45, p=0.001, Supplier Trust β=0.312, t=5.02, p=0.000, Partner/peer Trust β=0.189 and t=2.98, p=0.003. All dimensions are significant, while Supplier trust is the strongest predictor. The unstandardized coefficients show the individual contribution of each dimension. Supplier Trust: B=0.312, Beta=0.312, t=5.02, p=0.000 <0.05. Significant. This is the STRONGEST PREDICTOR. For every one unit increase in supplier trust, entrepreneurial success increases by 0.312 units, holding other variables constant. In practical terms, an entrepreneur in Yola who maintains trust with his supplier in Onitsha will receive goods worth more on credit, get price discounts, and enjoy priority during scarcity, leading to higher profit and survival. This finding validates the reality of Adamawa where cash is scarce and trade credit is lifeblood. Customer Trust: B=0.214, t=3.45, p=0.001 <0.05. Significant. One unit increase in customer trust increases success by 0.214. In Adamawa markets, trusted traders enjoy customer loyalty, word-of-mouth referrals, and ability to sell on credit without fear of default, which increases sales growth. Partner/peer Trust: B=0.189, t=2.98, p=0.003 <0.05. Significant but weakest. One unit increase increases success by 0.189. Many businesses in Adamawa are family or joint ventures. Trust among partners reduces internal conflict and enables pooling of resources. The constant 1.24 is the value of entrepreneurial success when all trust dimensions are zero, which is not meaningful as trust cannot be zero in real market. Decision on Hypothesis: Since all p-values <0.05, we reject H01. Conclusion: Relational trust has significant positive influence on entrepreneurial success in Adamawa State (β=0.584 for overall model, p<0.001).

ANOVA TABLE

Table 6 Anova Table

Source	Sum of Squares	Df	Mean square	F	Sig.
Regression	**28.754**	**3**	**9.585**	**67.32**	**0.000b**

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Source	Sum of Squares	Df	Mean square	F	Sig.
Residual	33.322	234	0.142		
Total	62.076	237			

Source: SPSS output 2026

The table above shows the result of ANOVA test F=67.32, P<0.001. ANOVA test whether the model is better than zero. Since P<0.05, we reject the null hypothesis Ho_1 that Relational Trust has no significant influence on entrepreneurial success in Adamawa State. Therefore, Relational Trust has statistically significant influence on entrepreneurial success in Adamawa State. Thus, the Model is fit.

Discussion of Results

The findings reveal that Relational Trust has a significant positive influence on entrepreneurial success ($\beta = 0.584$, $p < 0.001$), explaining 46.2% of the variation in success indicators. Customer trust, supplier trust, and business partner/peer trust were all found to be significant predictors. The finding that mutual trust significantly influences entrepreneurial success is consistent with Social Capital Theory. It corroborates Owot et al (2023) and Welter (2012) that trust reduces transaction costs. In Adamawa, where formal contracts are rarely used, a supplier giving goods on credit is a direct manifestation of trust. The dominance of supplier trust aligns with the reality of informal retail where working capital is constrained. The finding also supports Social Capital Theory (Bourdieu, 1986; Coleman, 1988) that social resources embedded in relationships enhance economic performance. In line with Welter (2012), when formal institutions are weak as in Adamawa, trust substitutes for formal contracts. The dominance of supplier trust over customer and partner/peer trust is consistent with Amoako & Lyon (2014) in Ghana who found SMEs rely on supplier trust for import transactions. In North-East Nigeria, Musa et al. (2021) noted that conflict eroded trust, but this study shows that where trust survives, it drives entrepreneurial success.

Conclusion

The study concludes that Relational Trust is a critical determinant of entrepreneurial success in Adamawa State. It is not merely a social virtue but an economic asset. In fragile and low-institution environments, trust functions as social collateral to entrepreneurial success and effective business performance.

Recommendations

Based on the findings from this study, the following recommendations are made:

1. Entrepreneurs should institutionalize trust-building: maintain accurate records, honor payment dates, and communicate transparently.
2. Market associations should establish dispute resolution mechanisms and blacklists for opportunistic behaviour to protect trust.
3. Government and NGOs (e.g., SMEDAN, Adamawa Chamber of Commerce) should organize networking events and cooperative formation to rebuild inter-ethnic business trust affected by conflict.

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4. Policy: Incorporate social capital development into SME support programs, not just financial support.

Limitations and Suggestions for Further Research

The study is limited to three markets in Adamawa State; future studies should cover rural LGAs and include infrastructure as moderating variable.

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