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Research Article

Loan Repayment Practices and Performance of Small and Medium Enterprises (Smes) In North Western, Nigeria: A Research Proposal

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Abstract

The objective of this study is to examine the loan repayment practice and the performance of small and medium enterprises in the North-west, Nigeria with the moderating effect of trust. SMEs are pivotal to economic growth in Nigeria and they contribute maximally to employment generation and gross domestic products. Literature of some related studies were reviewed. A cross-sectional survey design was proposed for the study and the unit of analysis would be the organization (SMEs performance) and the owners/managers would be the respondents. The study employed proportionate stratified random sampling technique to select five hundred and ninety two (592) respondents from the population of eleven thousand seven hundred and thirty one(11,731) registered SMEs in the North-Western geopolitical zone in Nigeria comprises of seven states; Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto and Zamfara. The pilot study was conducted and the reliability test result showed that SMEs performance has a Cronbach's Alpha value of 0.701, financial management practice has 0.797, debt management practice has 0.702, financial literacy has 0.772 and trust as the moderator has 0.723.

Keywords: Small and medium enterprises, financial management practice, debt management practice, financial literacy and trust.

Introduction

Small and medium enterprises (SMEs) play a significant role in terms of promoting entrepreneurship and poverty reduction. In the entire world, the economic importance of SMEs is highly demonstrated in every nation's economy (Mohammed & Suleiman, 2022). Some of the salient economic contributions adduced to the SME sector are employment generation, gross domestic product (GDP), export promotion, utilization of local raw materials, tax revenue, regional development and a base for industrial growth (Anangwe & Malenya, 2020; Mbango, Nwannah & Udegbunam, 2020). Research evidences from Africa, Asia, Latin America Europe and U.S.A over the years have also maintained status quo. Some of the recent studies such as mohammed & Suleiman, 2022; Better Accounting, 2020; Marmaya, Abd Razak, Wee, Karim &Ridzuan, 2018) pointed out that, in Africa, over 50 percent of the continent's economic growth is due to SMEs. Similarly, it is argued that in Asia, SME sub-sector accounts for over 31 percent of the Malaysian GDP and provide a lot of jobs opportunities to Malaysians. The sector also accounts for 60 percent of China GDP and 43.5 percent of that of U.S.A economy. The European economies are not left out as the SME sub-sector accounts for 58 percent of their GDP (European Commission, 2023). In Uganda, SMEs are the backbone of the economy, providing a prime source of new jobs, play a crucial role in income generation and reducing poverty and contributing 75 percent to the GDP and employing over 2.5 million people (Odong, 2014). In Kenya, SMEs is an important sector for the economy since it employs about 85 percent of the workforce and contributing significantly to the gross domestic products (Mukono, 2015). In Nigeria, SMEs account for 97 percent of all business activities compared to 53 percent in USA and 65 percent in Europe and generate about 84 percent of employment, and 48 percent of gross domestic products (GDP) (Financial System Strategy, 2020). The SMEs' overwhelming contributions to economic growth are pointer to the fact that they form the largest proportion of enterprises in every economy and worldwide, they constitute over 90 percent of global enterprises (world Bank, 2023).

Despite their contributions to employment generation as well as income distribution and development of local technology, SMEs in Nigeria have been slow in growth due to some problems which include; deplorable infrastructural facilities, funding and financial challenges, inadequate managerial and entrepreneurial skills, corruption and lack of transparency arising from government regulations (Ezema, 2014). In addition, SMEs are faced with a number of challenges whereas the problem arising from ´ poor financial management are reported as the major causes of business failure in SMEs and despite the positive outlook and growth trends of SME sector, SMEs are faced with challenges such as insufficient managerial skills, lack of trained personnel, poor access to financial resources and low utilization of new technologies. Among these, lack of an efficient and effective financial management system is the core problem (Karadag, 2015). Equally, SMEs in Nigeria are witnessing high mortality rate (International Finance Corporation, 2016). The report states that only 2 percent of new start-up SMEs continues to survive up to 5 years. This is buttressed by Hassan and Ogundipe (2017) who reported that SMEs failed in the early five years of establishment.

SMEs contribution to the gross domestic product (GDP) in Nigeria, in 2018, 2019, 2020, stood at 47.8 percent, 48 percent and 50 percent respectively. This clearly showed that SMEs will do more, if necessary, actions are taken in the form adopting the loan repayment practices that will help borrowers to repay their loans on time and make way for more money to be loaned to the SME owners that waiting for loans. For majority of SMEs, borrowing has been an issue of concern, in the sense that a number of enterprises have shown high rate of default while others have been honouring their repayment at unexpected slow rate (Kitomo, Likwachala & Swai, 2020). Frequent debt restructuring which is an indication of difficulty in loan repayment has been the order of the day among SMEs particularly among the SMEs in developing countries. This has been attributed to the problem of information asymmetry between lenders and borrowers (Chimucheka & Ruganii, 2013). Since majority of SME owners do not have good practices of financial management, lenders face difficulties in assessing credit worthiness of such business (Agyei-Mensha, 2011).

The Federal Government of Nigeria has sued about 70,000 Kebbi State farmers to court for failure to pay N17billion loan collected under the Anchor Borrower Programme due loan diversion (Augie;2020). In a similar vein, no few than 25,000 rice farmers in Kano State benefitted from agricultural loan of N5 billion dry season farming under the Anchor Borrower Programme of the Central Bank of Nigeria in 2017, but regretted that less than one percent of the loan was recovered and that led to the constitution of mobile court to bring defaulters to book (Daneji; 2017).

Financial management on the other hand involves critical examination of accounting records kept by an enterprise to determine the factors hindering access to loans, how the loans obtained can be repaid and consequently, how it affects the performance of SMEs. It should be noted that proper bookkeeping and accounting are critical for assessing financial strength of SMEs and hence it is one of the prerequisites when SME is seeking loan capital from financial institution (Wood & Sangster, 2012). Therefore, effective management of firm's assets cannot be underestimated for proper liquidity and loan repayment trends of SMEs. Financial management is essential in making sound financial decisions that enhance positive loan repayment and performance of SMES.

SMEs just like any other organization need capital to run their operations (Darren, 2020). Generating capital through credit systems has become a necessity for the growth of SMEs and doing that creates debt for the businesses. Tanturn in Addaney et al (2016) states that a debt is an amount owed to a person or organization for funds borrowed. For the purpose of this study, debt is defined as any amount due to any authority for which payment has not been paid. Debt takes any form and can be represented by bond, loan note, mortgage as well as other payment terms and when necessary, interest requirements. These different forms (bond, loan note, mortgage etc) are indications of intent to pay back the amount owed at an agreed date as is set forth in repayment terms. Jote (2018) observed that debt has the ability to cause the non-performance of SMEs. Another problem faced by SMEs is lack of debt management skill. This means some would acquire debt and not use it for the intended purpose. Some SMEs that manage debts well will experience business growth in the long run while others suffer set back due to mismanagement of debts they acquired. Some SMEs having collected the loan, lack diversity implying that they focus on one source of income and reinvesting the fund in the same business and this will limit loan repayment and consequently affect the performance of SMEs negatively.

Financial literacy is the capability to adequately oversee financial resources that enhance SMEs performance (Eniola&Entebang, 2016). This is an area that requires knowledge, skill, attitude and experience with goals to deal with the survival of the firm's profit maximization, sales maximization, capturing a particular marketing shares, minimizing staff turn-over and internal conflicts and maximizing wealth (Eniola, 2016). It can be among the essential strategy tool to more organized allotment of financial resources and to a considerable financial strength. Remund (2010) opined that financial literacy is the degree to which one understand important financial concepts and possess the capacity and confidence to handle personal funds of appropriation, brief period of decision making and solid long-term financial forethought. Numerous nations, Nigeria inclusive have embarked on programmes and policies to promote a high rate of financial literacy among their citizens. For example, the Nigeria government launched the National Inclusion Strategy (NFIS) and Financial Literacy Framework (FLF) in 2012 and 2013 respectively to promote financial stability in the country. In line with this, the Central Bank of Nigeria in collaboration with Enhancing Financial Innovation and Access (EFIna) and the Nigeria Deposit Insurance Corporation (NDIC) launched various initiatives programmes aimed at promoting financial stability. The Central Bank of Nigeria also inaugurated the National Financial Literacy Conference in 2019 for SMEs stakeholders to improve their financial skills (Osibogun, 2020).

The dearth of financial literacy has been one of the many elements responsible for lack of proper knowledge or information about financial decision making and that decisions could in turn, have tremendous unexpected consequences and subsequently, financial literacy is now globally recognized as a major factor of economic and financial stability and development of SMEs for performance (Eniola & Entebang; 2015). Therefore, the following have been identified as the major problems facing SMEs in Nigeria. Poor financial management, poor debt management and inadequate financial literacy skills among others (Eniola, 2016; Eniola & Entang,2016; Mutegi, Njeru & Ongesa, 2015; Jote; 2018).

Research Questions

The main question which the study attempts to provide an answer to is to what extent do the small and medium enterprises' loan repayment practices affect the performance of SME in Nigeria? Based on the main question, the following specific questions will be asked in order to guide the study.

1. To what extent does financial management practice relate to small and medium enterprises' performances in North-Western, Nigeria?
2. Does debt management practice relate to small and medium enterprises performance in North-Western, Nigeria?
3. To what degree does financial literacy practice relate to small and medium enterprises' performance in North-Western, Nigeria?
4. Does trust moderate the relationship between financial management practice and small and medium enterprises performance in North-Western, Nigeria?
5. Does trust moderate the relationship between debt management practice and small and medium enterprises performance in North-Western, Nigeria?
6. Does trust moderate the relationship between financial literacy and small and medium enterprises performance in North-Western, Nigeria?

Research Objectives

Based on the research questions, the main objective of the study is to examine the relationship between SMEs loan repayment practices and SMEs performance in Nigeria. In order to achieve the specific objectives of the study, the following objectives will be used to answer the research questions. The specific objectives of the study are;

1. To examine the relationship between financial management practice and small and medium enterprises' performance in the North-Western, Nigeria.
2. To assess the relationship between debt management practice and small and medium enterprises' performance in North-Western, Nigeria.
3. To evaluate the relationship between financial literacy practice and small and medium enterprises' performance in North-West, Nigeria.
4. To determine whether trust moderate the relationship between financial management practice and small and medium enterprises performance in North-Western, Nigeria.
5. To determine whether trust moderate the relationship between debt management practice and small and medium enterprises performance in North-Western, Nigeria.
6. To assess whether trust moderate the relationship between financial literacy practice and small and medium enterprises in North-Western, Nigeria.

Research Hypothesis

H1: There is a significant relationship between financial management practice and small and medium enterprises performance in North-Western, Nigeria.
H2: There is a significant relationship between debt management and small and medium enterprises performance in North-Western, Nigeria
H3: There is a significant relationship between financial literacy practice and small and medium enterprises performance in North-Western, Nigeria.
H4: Trust positively moderates the relationship between financial management practice and small and medium enterprises performance in North-Western, Nigeria
H5: Trust positively moderates the relationship between debt management practice and small and medium enterprises performance in North-Western, Nigeria

H6: Trust positively moderates the relationship between financial literacy practice and small and medium enterprises performance in North-Western, Nigeria.

LITERATURE REVIEW

Enterprises may be classified by size, sector, organization, technology and location. From the perspective of policy and planning, size provides the most practical basis for classification. The criteria include one or more of the following; employment, turnover, assets and paid-up capital (SMEDAN, 2017). However, definitions vary from country to country. In developed countries such as the Britain, Canada and the U.S.A, a small and medium enterprise is defined in terms of annual turnover and the number of paid employees. In Britain, SME is defined as that industry with annual turnover of two million pound or less with fewer than 200 employers. In Nigeria, before the launching of the National policy on micro, small and medium enterprises (MSMEs) in 2007, various institutions have adopted varying definitions according to their perception of the concept of SMEs. As in developing economies, Nigeria has addressed the issue of definition as to what constitute micro, small and medium enterprises. The definition adopted a classification based on dual criteria; employment and assets (including land and building and building) as shown below;

Table 1

Size/Category	Employment	Assets (N million) Excluding land & Building
1. Micro Enterprise	less than 10	less than 5
2. Small Enterprise	10 to 49	5 to less than 50
3. Medium Enterprise	60 to 99	50 to less than 500

SMEDAN/ NBS SURVEY 2017

Small and Medium Enterprises Performance

Small and medium enterprises performance is the ability of SME to perfectly utilize the available resources in order to achieve the set goals and targets.

The business performance is part of an organization effectiveness which includes operational and financial results. It focuses on how firms makes efficient resources to consistently improve capabilities and abilities to achieve company goals (Taouba & Issor, 2019).

Ndiaye, Razak and Nagayev (2018) see SME performance to include capacity utilization, annual employment growth, the percentage assets acquired by SMEs, real annual sales growth. Nora, Leo-Raul and Velan (2019) asserted that for proper measurement of SME performance, both financial and non-financial measures should be used and they include growth, efficiency, profit, reputation and owner's goal as measure of overall SME performance. The authors did a good job but the inclusion of products growth, market growth and customers' growth would have added value to the study. The current study is going to consider adding products growth, market growth and customers' growth. SME performance can be understood from quantitative and qualitative perspectives. From the quantitative perspective, we have; efficiency, financial results, level of production, number of customers, market share, profitability, productivity, dynamics of revenue cost and liquidity (Gupta & Batra, 2016, Zimon, 2018) and from the qualitative perspective, there are; goal achievement, leadership styles, employee behaviour (Anggadwita &Mustafid, 2014), customers satisfaction (Akpan, Yilmaz & Karya, 2017), product and process innovation, organization and market innovation (Sheehan, 2013).

Financial Management Practice

The term financial management is used to represent the management of funds and how the funds are used to achieve the objectives of the shareholders' value maximization (Kilonzo&Ouma, 2015). According to Kitonga (2013), financial management practice in organizations include an accounting information system, fixed assets management, working capital management, financial reporting and analysis, capital structure management etc. These components of financial management practices are supported by Kilonzo and Ouma (2015). Muneer, (2017) also see accounting information system as well as working capital management as critical components of financial management.

In short, financial management practices include all aspects of management that affect the finances of the overall objective of organization. This includes working capital management, long-term financial management and capital structure management, accounting information and financial reporting practices, capital budgeting etc. Accounting information system is the recording of transactions using computers with the aid of accounting systems and techniques which are used to record and analyse business transactions for the purpose of preparing a financial statement for users. A proper accounting information system is at the heart of proper book-keeping and financial analysis for decision making(Muneer, Ahmad, & Ali; 2017).

The management of firm capital involves the choice of the right mix of debt and equity capital that will maximize the profitability of the firm. The management of working capital is very critical and one of the major financial management decisions as it has serious implication on the financial performance of the company (Musa, 2017). This means that its important for SMEs to take a serious look at how they manage their capital structure to reduce the burden on the cash flow which could result in liquidation problems (Muneer, Ahmad, & Ali; 2017).

2.4.2 Debt Management Practice

Sherraden (2013) explained that the concept of debt management resides on the capacity of monetary authorities or firms in ensuring revenue stability with expenditure. This means that in managing debt at large, the aim is basically to ensure that expenditure does not exceed revenue or revenue exceeding expenditure, hence both should be in a state of equilibrium.

Debt management is a collective effort of an organization to choose the right mix of financing an already existing deficit to at a point where a balance budget is attained. In order to manage debt well, there should be inculcation of certain management practices that are well institutionalized so that the laid down policies in managing debt can be sustained. Livine and Yonay (2016) revealed that the concept of debt management is largely concerned with the ability of an individual borrower to hedge a position of paying the borrowed funds at a speculated time even before going for the loan in question. This means that as part of managing debt, the debtor should have in mind a well thought out plan of paying back the debt before adding and additional deficit. If a clear road map of paying loans is not met, then it is not worth spending in public space. This is in support of the findings of Lusardi and Mitchell (2013) that revealed that debt management as a concept is strictly underpinned on firms' capacity to pay back in time without difficulty and excuses of payment.

Debt management is any approach that is adopted to guide an individual or business organization to manage its debt. The definition includes; debt settlement, bankruptcy, debt consolidation, personal loans as well as other techniques that assist business to service outstanding debts. Awazi (2015) revealed that the best practices in managing debt is when borrower ensures that the amount borrowed could easily be covered in the firm's budget, then the firm and borrower has the ability to cover repayment and therefore, the loan is not a risk to firm's insolvency. The above support the postulations of Lusardi and Mitchelli (2013) that the best way to debt management practice is the ability of borrower to repay the loan on time and the borrower ensuring that the loan in question is not a major risk likely to stop the operations of the firm.

Financial Literacy practice

Financial literacy has been acknowledged by scholars and financial analysts as a requirement for vibrant and energetic entrepreneurs to foster the growth of entrepreneurs and prudently manage their finances (Odebiyi, Fasesin & Ayo-Oyebiyi, 2020). Gupta (2018) sees financial literacy as a mixture of knowledge, competencies and practice of economic products' concepts, risks in order to take better finance relate decisions. In the same vein, Khadija and Van (2019) referred financial literacy to the monetary information and skills which enable entrepreneurs to put into effect high quality monetary administration techniques for their enterprises. Financial literacy is the capability to adequately oversee financial resources over the life cycle and connect effectively with financial products and services and it is about discernment and make effective decision and utilization of financial management (Eniola & Entebang, 2015).

It is an area that requires knowledge, skill, attitude and experience with goals to deal with the survival of the firm, profit maximization, sales maximization, capturing a particular share, minimizing staff turnover and interval conflicts, and maximizing wealth (Jacobs in Eniola & Entebang, 2015). QECD (2013) defined financial literacy as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual wellbeing. Lusardi and Mitchell (2013) also defined financial literacy as the ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt and pension. Remund (2010) stated that financial literacy is the degree to which one understands important financial concepts and possesses the capacity and confidence to handle personal of appropriation, brief period decision making and long term financial forethought. Usama and Yusoff (2018) stressed that entrepreneurs who possessed high level of financial literacy contribute to the success of their business in terms of financial and non financial success.

Trust as a moderator

In the society, trust was long ago identified as a strong tool that could be used to reduce the risk of defecting behaviour (Massaro, Moro, Aschauer & Fink, 2019). The importance of trust in business relation is highlighted by various authors (Welter, 2012; Barney, Fink and Kessler 2010). Trust may effectively coordinate the interaction partners' behaviour and encourage it towards fair conduct (Fink and Kessler, 2010). It reduces behavioural uncertainty. As there is no generally accepted definitions of trust, (Korsgaard, Brower & Lester, 2014) relied on the well established model suggested by Mayer, Davies and Schoorman (1995), who defined trust as " the willingness of a party to be vulnerable to the action of another party based on the expectation that the other party will perform a particular action important to the trustor irrespective of the ability to monitor or control that other party". Trust is based on the personal predispositions to trust and on the three trustworthiness factors; ability, benevolence and integrity (Massaro, Moro, Aschauer and Fink; 2019). According to them, ability consists of attributes such as skills and competence. Benevolence refers to the willingness of a partner to be helpful in providing valuable information while integrity is the trustor's perception that the trustee adheres to a set of principles considered acceptable to trustor.

Trust is defined as the subjective profitability with which an agent assesses that another agent or group of agents will perform a particular beneficial action (James, 2002). Trust exists when one party has confidence in the exchange partner's reliability and integrity. Trust encourages information sharing between buyers and sellers, lenders and borrowers and therefore reduces information asymmetry (Min & Mentzer, 2004). Some studies proposes that the true meaning of trust implies a leap of faith. Parties believe that both have interest in other's welfare and that neither will act without considering the impact of his action on the other (Marjolein, 2009).

Moro and Fink (2013) found out that when a loan manager scores a customer higher on trust and on the components of it (ability, benevolence and integrity), their access to credit improves. Their study also indicates that trust plays an important role in relationship lending and that trust has a positive relationship with information asymmetry. The empirical results from a study by Moro, Fink and Kantonen (2014) pointed out that the voluntarily disclosed information will prompt the loan mangers to reciprocate by allowing more flexible relationships by giving the SMEs borrowers some incentive.

Financial Management Practice and Performance

Zada, Yukun, and Zada (2021) studied the effect of financial management on the development of small and medium- size forest enterprises in Pakistan, using five variables; working capital management, financial reporting, accounting information system, investment decision and financing. Data was collected from 260 SME owners and other finance managers through questionnaires and the results of the analysis showed that a higher degree of the conduct of the five variables are positively associated with firm performance and growth. The results also showed a strong positive correlation between financial management practices and firm growth. The authors did a good job but other variables like debt management and financial literacy management would have been considered in the study. Therefore, this study will address it.

Folajinmi and Peter (2020) investigated the financial management practices and the performance of small and medium scale poultry industry in Ogun State, Nigeria and with a sample size of I50 farm managers, the findings revealed that the proxies of financial management practices such as annual budget process, capital structure management and working capital management have a significant positive effect on profitability of poultry industry. The sample size of 150 in the whole of Ogun state, will not give a true picture of the investigation, rather, a larger sample would have been more appropriate. The inclusion of other loan payment practices like debt management and financial literacy would have contributed a lot to the study. In the light, of the above, the current study will take of that.

Kitomo, Likwachala and Swai (2020) determined the implication of financial management practices among micro enterprises for loan repayment in Dar es Salam, Tanzania with a sample size of 80 respondents. Data were analysed using multiple Regression and descriptive statistics of frequencies, percentages, mean and range. The results indicated that the common practices of managing finances among respondents were cash holding and short term investment. The study is a job well done, but priority should have been given to current analyzing tools like, Structural Equation Model (SEM) and Partial Least Square (PLS). The sample size should have been more that 80 respondents in order to give true reflection of the study.

Debt Management Practice and Performance

Addaney, Awua and Afriye (2016) investigated debt management impacts on the performance of small scale enterprises in Ghana with a sample size of 120 respondents, the findings of the study showed that small and medium scale enterprises in Ghana lacked in-depth knowledge on the issue of debt management and it further revealed that the major causes of debt among small and medium scale enterprises were lack of advice on business type and finances, lack of knowledge on the type business and poor methods of keeping business records. The authors did a good job but a sample of 120 respondents in the whole of Ghana is too small to give a good research result. The current study will try to remedy the problem by using a good sample size that bring about good research result.

Yuan and Kazuyuki (2012) using a sample of Chinese listed companies showed that total debt ratio had negative impact on fixed investment. This shows that high proportion of debt in the capital structure of a firm can harm investment using internal fund. This is because a firm with a high debt ratio can potentially channel most of its income towards debt servicing thereby forgoing investment through internal funds. Therefore, the risk of SMEs increases when more debt is employed in its capital structure. It will become difficult to attract more debt for investment purpose as creditor will charge high interest rate to compensate for the high business risk. Yuan and Kazuyuki therefore, argued that creditors will be reluctant to lend more funds to highly indebted firm which lead to underinvestment and such, firm operations can be affected if insufficient investment is undertaken. The authors did not realize that some debts serve as leverage where such debts can be used to finance the firm thereby attracting investors. The current study will look at the leverage aspect of debts.

Nyamao, Ojera, Lumumba and Odondo (2012) investigated the effects of debt management practices on financial performance of small scale enterprises (SSEs) in Kenya. The study adopted a cross-sectional survey research design stratified random sampling was used to obtain a sample of 113 SSEs. The data was analysed using both descriptive and inferential statistics and the results showed that debt management practices were low among small scale enterprises and that majority of them had not adopted formal debt management strategies and as a result, their financial performance was on a low average. The study also revealed that SSE financial performance was positively related to efficiency of cash management. The study concluded that debt management practices influence financial performance of small scale enterprises. The study only lay emphasis on debt management practice and SMEs performance but did not consider other variables that which may contribute to SMEs performance like financial management practice and financial literacy. Also, considering a population of only 113 small scale enterprises is not representative enough to come up with convincing results. This will be addressed by the current study.

Financial Literacy Practice and Performance

Nyamboga, Nyamureya, Abdi, Njeru and George (2014) Investigated the influence of financial literacy on SMEs loan repayment in Ngara, Nairobi County, Kenya. A sample of 30 SMEs was selected for the study using stratified random sampling technique and descriptive and inferential were used to analyse the data. The study established that bookkeeping, credit management and budgeting skills significantly influence the ability of SMEs to repay loan. The authors did a good job but a sample size of 30 SMEs is too small to produce a convincing result that the stakeholders will use. The study also only considered bookkeeping, credit management and budgeting skills as the only variables that influence the ability of SMEs to pay loan whereas, debt and financial management practices also influence SMEs' ability to pay loan. The current study will incorporate them in the study.

In the same vein, Wanjiku and Muturi (2015) conducted study on financial literacy and loan repayment in Kenya and they findings revealed that there is a negative relationship between all the constructs of financial literacy and loan repayment. A sample size of 30 SMEs in the whole of Kenya cannot give a true reflection of the purpose of the study. The current study will use a sample size that is large enough to give the true reflection of the purpose of the research.

Anuradha (2021) studied the impact of financial literacy on entrepreneurs' performance in Sri Lanka. The financial literacy and corporate performance composite index were computed and Analysis of Variance (ANOVA), Kasier-Meyer-Olkin (KMO) and regression analysis were carried out to determine the effect of financial literacy on corporate performance. The findings revealed that financial literacy in Sri Lanka has a statistically significant impact on business performance and the study also find out that financial literacy allows entrepreneurs to escape corporate failure resulting from poor financial decision-making. The study's finding that financial literacy allows entrepreneurs to escape corporate failure resulting from poor financial decision-making is subject debate because there are other variables such as financial and debt management practice that also help entrepreneurs to escape failure if properly applied. The current study is going to consider that.

Trust as the Moderating Variable

Williams, Michael and Shanan (2010) examine the extent to which trust and dependence are predictive of performance for small and medium size vendors using a sample of 134 university vendors in the south west region of the U.S, regression analysis was used to test the hypotheses related to both constructs. The results show that both trust and dependence are significant predictors of supplier performance for SMEs in the supply chain relationship. Moro, Lucas and Kodwani(2012) assessed the relationship between trust and the demand for personal collateral in SME-bank relationship and in the study, trustworthiness is associated with three attributes of SME owner/manager and these attributes are; ability, benevolence and integrity. The study hypothesized that loan manager's assessment of trustworthiness of SME owner/manager is negatively associated with personal collateral demand by banks. Data was collected from 457 SMEs in North East Italy and the results of the Logit Regression Analysis show that trust has a minor role in reducing the request for collateral.

Troilo (2010) studied the role of trust in new SME creation: Difference in motivations and opportunities. The author tests the impact of trust on new firm formation using Global Entrepreneurship Monitor (GEM) survey data for 2001-2003 and trust is found to be significant for overall levels of entrepreneurship and for opportunity entrepreneurs in developing countries. In the same vein, Khalifa and Saad (2017) evaluate the determinants of trust in the customer-service provider relationship: The case of Tunisian small and and medium sized enterprises (SMEs). The research was based on a sample of 300 bank customers chosen randomly and the results show that relational behaviour of personnel in contact is determinant of interpersonal and organizational trust. However, reputation is the main factor that contributes towards the development of organizational trust.

Susanty, Norma and Bakhtia (2018) examine the effect of information sharing and contract on increasing the trust level in the relationship between the Batik small and medium-sized enterprises (SMEs) and supplier and to examine the trust on the performance of a supply chain related to the procurement of raw cotton fabric. A sample of 65 SME owners in Peekalongan in central Java city. The data was analysed using Partial Least Square (PLS) and the results show that trust between owners of SME and their suppliers has a significant positive effect on the performance chain management. The results also show that information sharing and information contract have a significant positive effect on trust between SME owners and suppliers. Gorondutse and Hilman (2018) examine the association among trust of Business Social Responsibility (BSR) and the performance of small- scale industries in Nigeria with organizational culture as a moderating factor. The hypotheses of the study were tested using personally administered questionnaires and a sample of 486 was evaluated using SmartPLS Algorithm and Bootstrapping functions. The result established strong positive influence of trust of Business Social Responsibility on small-scale industrial performance. Correspondingly, the study established strong positive impact of organizational culture on performance of small-scale industries. However, the study could not establish the moderating influence of organizational culture

The Underpining and Supporting Theories

The underpinning theory used to explain the proposed research framework is Resource Based-View Theory which will serve as the main theory of the research and Information Asymmetry Theory (IAT) which will support it. Then, the theoretical underpinning would border on the broad concepts SMEs performance and financial management, debt management and financial literacy as well as the role of trust in the relationship.

Resource Based-View Theory (RBV)

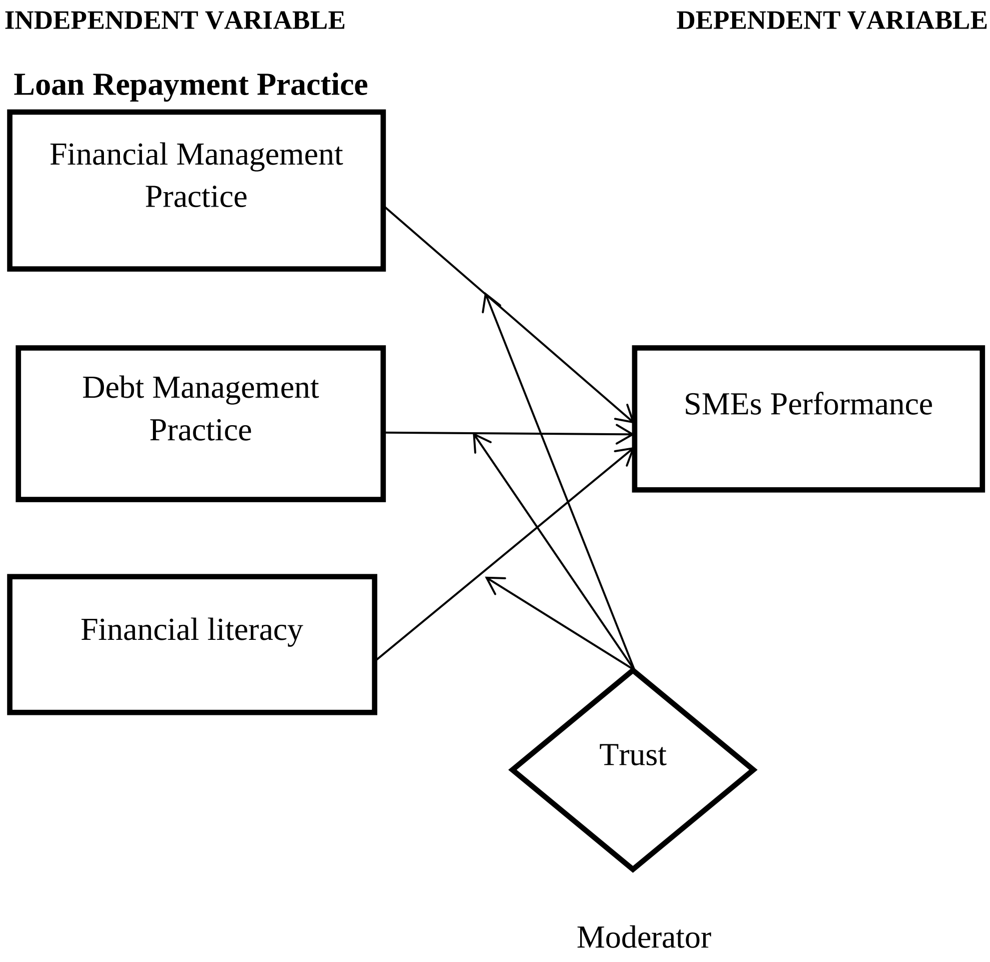
According to Penrose (1959), a firm’s growth is based on the firm’s resources and limited by managerial resources. Resources are critical part of an organisation’s operation and are thought of as a strength or weakness of a given firm. They comprise of tangible and intangible assets. RBV analyses and interprets resources of organizations to understand how organizations achieve sustainable competitive advantage. The optimal operations and performance of a firm is triggered by availability of qualitative resources.

Information Asymmetry Theory

Joseph Stiglitz (1961), George Akerlof (1970) and Michael Spencer (1973) are the three proponent economists who developed the theory of asymmetric information theory which was formalized in 2001. According to them, the asymmetric information theory pinpointed that information is imperfect and obtaining information can be costly. Imperfect credit markets characterized by information asymmetry make it too costly for bank to obtain accurate information on borrowers and to monitor the actions of borrowers. Information asymmetry occurs when the knowledge of one of the parties to the contract is inferior to the other party as to the intentions or activities. In other word, information asymmetry occurs when one party to the contract has better information than the other. Hence the information asymmetry theory is considered important in this study and therefore adopted to explain the relationship between determinants of SMEs’ loan repayment and loan repayment performance.

Conceptual Framework

The framework has been adopted for its potential usefulness as a tool to assist the researcher to make meaning of subsequent findings. The conceptual framework is therefore based on three explanatory variables, and one dependent variable and a moderator as shown diagrammatically in Figure 1 that illustrates the conceptualized relationship between the explanatory and dependent variables. The conceptual framework shows how variables interact in a diagram format.



The Conceptual Framework 2022

Research Methodology

The proposed study will employ a quantitative research method, with which it will gather quantitative data for the statistically analysis. The purpose of a quantitative descriptive research is to assist in statistically describing, aggregating and presenting the relevant components of or relationship with them. It is technique for designing that is founded on theory created by gathering, examining and presenting the evidence gathered (Lawrence & Tar, 2013). It also enables researchers to explain why and how research is done.

Population Size

As for this study, it will employ cross-sectional survey method in which data will be collected once in the course of the research using self-administered questionnaire as the instrument for data collection. The cross-sectional survey method is chosen over other methods because it enables the researcher to measure outcome in the study participants at the same time and it equally enables large amount of data to be collected from the population of the study.

Since the target population of the study is individual SME owners/managers from the North-Western geopolitical zone of Nigeria, the unit of analysis is individuals. The proposed population of the study is going to be based on the registered SMEs in the seven (7) states that make up the North-Western, Nigeria namely; Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto and Zamfara. The total number of registered SMEs from the seven (7) states as at 2017 is eleven thousand, seven hundred and thirty one (11,731). This figure was obtained from Small and Medium Enterprises Development Agency (SMEDAN). The proposed population according to the states is shown in the table 2 below.

Table 2:

Population of the registered SMEs in the North West Geo-political Zone in Nigeria

S/N	State in Northwest	Registered SMEs
1.	Jigawa	2370
2.	Kaduna	2650
3.	Kano	2441
4.	Katsina	1367
5.	Kebbi	815
6.	Sokoto	852
7.	Zamfara	1236
	Total	**11,731**

Sampling Technique

Sampling technique that will be adopted for the study is stratified random sampling and among the stratified random sampling, the study will employ the use of proportionate stratified random sampling where a population is divided into subgroups or strata and random samples are in proportionate to the population each of the strata. The choice of stratified random sampling technique is necessary because it allows the researchers to quickly obtain a sample population that best represents the entire population being studied and it also has higher precision estimate (Shama, 2013).

Sample Size

The sample size is determined using Krejcie and Morgan (1970) table for sample determination. Considering the total population of eleven thousand, seven hundred and thirty one (11,731) SMEs in the study, the sample size is three hundred and seventy (370) registered SMEs and only the owners/managers would be the considered as the respondents. The sample size of 370 SMEs is deemed appropriate in consideration of the suggestion of (Meyer, 1979; Fox, Hun & Mather' 2007). The sample size of 370 SMEs is deemed fit but Salkind (2010) recommended a non-response bias rate of 40% - 60% of the population sample to be added to the sample size and that is (60% of 370) + 370 = 222 + 370 = 592 SMEs. To determine the sample size for each stratum or each state, the population of registered SMEs in each state is multiplied by the final sample size and divides by the entire population of registered SMEs from the seven North-Western States of Nigeria. Hence, table 3 gives a clear representation of the stratified random sampling.

Table 3: Proportionate Stratified Sampling

S/N	State in Northwest	Number Registered SMEs	Proportionate Sampling
1.	Jigawa	2370	120
2.	Kaduna	2650	134
3.	Kano	2441	123
4.	Katsina	1367	69
5.	Kebbi	815	41
6.	Sokoto	852	43
7.	Zamfara	1236	62
	Total	**11,731**	**592**

Field Survey, 2022

Instrument of Data Collection

The data for the study would be collected by means of structured questionnaire. The use of the questionnaire ensures consistency of questions and answers from the respondents due to its anonymity. In the proposed study, the questionnaire will be based on 5-point Likert scale. The questionnaire is designed to have sections A and B. The section A deals with the demographic information while section B will focus on the information regarding the constructs of the research. The questions in section B are measured on 5-point Scale rating of Strongly Disagreed (DS) = 1, Disagreed (D) = 2, Undecided (U) = 3, Agreed (SD) = 4, Strongly Agreed (SA) = 5.

Method of Data Analysis

The study will employ descriptive and inferential statistics (Structural Equation Modelling (SEM) by using PLS-SEM. This method is necessary as it helps in estimating multivariate constructs. It is a multivariate technique used to test and evaluate multivariate casual relationships and it differs from other modeling approaches as it tests the direct relation on pre- assumed causal relationship (Fan, Cheng & Shao, 2016).

Pilot Test

The researcher conducted a pilot study to test the validity and reliability of the adapted study instruments in order to have idea of the likely problem that may occur and to make the necessary adjustment before the commencement of the full scale data collection for the study. After subjecting the instruments to content and face validity, an improved version of the questionnaire was distributed for the pilot study. To this effect, the reliability of the instrument was obtained through Cronbach's Alpha coefficient to measure the internal consistence of the instrument on the questionnaire administered to some respondents for the pilot study. The population for the pilot study comprised of sixty (60) randomly selected registered SME owners/managers who are part of the elements of the study from Kano being one of the states from North-western geopolitical zone. Thus, 60 copies of questionnaire were distributed to the respondents and all the 60 copies were duly completed and returned and used, indicating a response rate of 100 percent of the total questionnaire sent out.

The reliability test of the data collected was analysed with Jamovi software as it allows for identifying the items to reverse in order to improve the quality of the instruments. The result of the reliability test and number of items are shown in the table below;

Table 3: Summary of Pilot Test of Reliability Results

S/N	Variables	No of Items	Cronbach's Alpha (θ)
1	SMEs Performance (SPF)	6	0.701
2	Financial Management Practices (FMP)	16	0.797
3	Debt Management Practices (DMP)	16	0.702
4	Financial Literacy (FL)	16	0.772
5	Trust (TRT)	24	0.723

Source: Pilot Study SPSS Computation, 2022

However, to ascertain the validity of the items, the questionnaire was subjected to face validity, content validity and construct validity. In order to achieve this, a draft of the questionnaire items was given to the academics in (Bayero University, Kano, Ambrose Alli University, Ekpoma, Kogi State University, Ayingba and University of Nigeria, Nsukka), professionals and industry experts were also consulted for their opinions on the clarity and adequacy of the questionnaire items.

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