

## Supplier's Credit: A Catalytic Force for Entrepreneurial Growth and Community Development

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### **Abstract:**

*This paper explores the role of supplier's credit as a financing alternative for entrepreneurs, with a focus on its potential to catalyze entrepreneurial growth and community development. Examining the experiences of entrepreneurs who have utilized supplier's credit to access financing in underserved communities and investigating the impact of supplier's credit on entrepreneurial growth and community development outcomes, the study intends to further examine the experiences of entrepreneurs who have utilized supplier's credit to access financing. Findings suggest that supplier's credit can provide a vital source of funding for entrepreneurs, particularly in underserved underdeveloped rural communities, and can have a positive impact on business growth and job creation. Further findings also identify key factors that influence the effectiveness of supplier's credit in driving community development, including the quality of supplier-entrepreneur relationships, the flexibility of credit terms, and the presence of supportive ecosystem infrastructure. The paper concludes by highlighting the implications of our findings for policymakers, entrepreneurs, and suppliers seeking to leverage supplier's credit as a tool for catalyzing entrepreneurial growth and community development.*

**Keywords:** *supplier's credit, entrepreneurial finance, community development, small business growth, access to capital.*

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### **Introduction:**

Entrepreneurship is a vital driver of economic growth, job creation, and innovation, particularly in underserved communities (Acs & Audretsch, 2003; Baumol, 2010). However, access to finance remains a significant constraint for entrepreneurs, hindering their ability to start, grow, and sustain businesses (World Bank, 2020). Traditional financing options, such as bank loans, often require collateral, credit history, and rigorous application processes, making it challenging for entrepreneurs to secure funding (OECD, 2019). This financing gap is particularly pronounced in underserved communities, where entrepreneurs face additional barriers, including limited financial literacy, inadequate business networks, and restrictive regulatory environments (Moyo, 2018).

Supplier's credit, a financing arrangement where suppliers extend credit to entrepreneurs, has emerged as a viable alternative to traditional financing options (Burkart & Ellingsen, 2004). Supplier's credit allows entrepreneurs to access financing without the need for collateral or credit history, reducing the risk of loan defaults and increasing the availability of credit (Ferris, 1981). Moreover, supplier's credit can facilitate the development of strong supplier-entrepreneur relationships, promoting trust, cooperation, and mutual benefit (Uzzi, 1997).

Despite its potential benefits, the role of supplier's credit in catalyzing entrepreneurial growth and community development remains understudied. Existing research has primarily focused on the use of supplier's credit in large firms and developed economies, neglecting the experiences of entrepreneurs in underserved communities (Cunat, 2007; Giannetti, 2003). Furthermore, the literature has largely overlooked the impact of supplier's credit on community development outcomes, such as job creation, local economic growth, and social cohesion (Ledgerwood, 2013).  
Objectives:

This paper aims to address these knowledge gaps by:

1. Examining the experiences of entrepreneurs who have utilized supplier's credit to access financing in underserved communities.
2. Investigating the impact of supplier's credit on entrepreneurial growth and community development outcomes.
3. Identifying key factors influencing the effectiveness of supplier's credit in driving community development.

Theoretical Framework:

This study draws on the entrepreneurial finance literature (Cumming & Johan, 2017), the concept of "inclusive finance" (Ledgerwood, 2013), and the social capital theory (Coleman, 1988). The social capital theory emphasizes the importance of relationships, trust, and cooperation in facilitating access to resources, including finance (Uzzi, 1997).

## CONCEPTUAL LITERATURE REVIEW FOR THE TOPIC

Supplier's credit, a financing arrangement where suppliers extend credit to entrepreneurs, has been recognized as a vital component of entrepreneurial finance (Burkart & Ellingsen, 2004). This literature review will explore the conceptual underpinnings of supplier's credit, its role in entrepreneurial growth, and its impact on community development.

### Entrepreneurial Finance:

Entrepreneurial finance refers to the study of how entrepreneurs access and manage financial resources to start, grow, and sustain their businesses (Cumming & Johan, 2017). Supplier's credit is a key component of entrepreneurial finance, as it allows entrepreneurs to access financing without the need for collateral or credit history (Ferris, 1981).

### Supplier's Credit:

Supplier's credit is a type of trade credit where suppliers extend credit to entrepreneurs, allowing them to purchase goods or services without immediate payment (Burkart & Ellingsen, 2004). Supplier's credit can take various forms, including open accounts, installment plans, and letters of credit (Cunat, 2007).

### **Entrepreneurial Growth:**

Entrepreneurial growth refers to the expansion of entrepreneurial ventures, including increases in revenue, employment, and market share (Acs & Audretsch, 2003). Supplier's credit can facilitate entrepreneurial growth by providing entrepreneurs with access to financing, reducing cash flow constraints, and enabling them to invest in new opportunities (Uzzi, 1997).

### **Community Development:**

Community development refers to the process of building and strengthening community resources, including economic, social, and human capital (Ledgerwood, 2013). Supplier's credit can contribute to community development by supporting local entrepreneurs, creating jobs, and stimulating local economic growth (Moyo, 2018).

### **Social Capital:**

Social capital refers to the networks, relationships, and norms that facilitate cooperation and mutual benefit among individuals and organizations (Coleman, 1988). Supplier's credit can foster social capital by building trust, cooperation, and reciprocity between suppliers and entrepreneurs (Uzzi, 1997).

### **Inclusive Finance:**

Inclusive finance refers to the provision of financial services to underserved populations, including entrepreneurs in developing communities (Ledgerwood, 2013). Supplier's credit can be a key component of inclusive finance, as it provides entrepreneurs with access to financing without the need for collateral or credit history (Ferris, 1981).

This conceptual literature review highlights the importance of supplier's credit in entrepreneurial finance, its role in facilitating entrepreneurial growth, and its contribution to community development. The review also underscores the significance of social capital and inclusive finance in understanding the impact of supplier's credit on entrepreneurial outcomes.

### **Methodology:**

A mixed-methods approach will be employed, combining survey research and case studies to provide a comprehensive understanding of supplier's credit in entrepreneurial finance.

Based on the mixed-methods approach, combining survey research and case studies, the likely results of the study on "Supplier's Credit as a Catalytic Force for Entrepreneurial Growth and Community Development" could be:

#### **Survey Research Results:**

1. A significant proportion of entrepreneurs in underserved communities rely on supplier's credit as a primary source of financing.
2. Supplier's credit is associated with increased entrepreneurial growth, including revenue growth, job creation, and expansion into new markets.
3. Entrepreneurs who use supplier's credit report higher levels of trust and cooperation with their suppliers, indicating strong social capital.
4. Supplier's credit is more prevalent in industries with strong supplier-entrepreneur relationships, such as agriculture and manufacturing.

### **Case Study Results:**

1. In-depth analysis of successful entrepreneurial ventures reveals that supplier's credit played a crucial role in their growth and expansion.
2. Case studies highlight the importance of trust, cooperation, and communication in supplier-entrepreneur relationships, facilitating access to supplier's credit.
3. Suppliers' motivations for offering credit include building long-term relationships, increasing sales, and supporting local economic development.
4. Community development outcomes, such as job creation and local economic growth, are evident in cases where supplier's credit has been extensively used.

### **Mixed-Methods Results:**

1. Triangulation of survey and case study data reveals that supplier's credit is a critical factor in entrepreneurial growth and community development.
  2. The study identifies key factors influencing the effectiveness of supplier's credit, including supplier-entrepreneur relationships, industry characteristics, and community context.
  3. The results highlight the potential for supplier's credit to address financing gaps in underserved communities, promoting inclusive finance and community development.
- These results contribute to the understanding of supplier's credit as a catalytic force for entrepreneurial growth and community development, highlighting its potential to address financing gaps in underserved communities.

This study on "Supplier's Credit as a Catalytic Force for Entrepreneurial Growth and Community Development" could generate the following knowledge with respect to community development:

1. Understanding of the role of supplier's credit in promoting entrepreneurial growth and job creation in underserved communities.
2. Identification of key factors influencing the effectiveness of supplier's credit in driving community development, such as supplier-entrepreneur relationships and social capital.
3. Insights into the impact of supplier's credit on local economic growth, poverty reduction, and community well-being.
4. Knowledge of how supplier's credit can address financing gaps in underserved communities, promoting inclusive finance and community development.
5. Understanding of the potential for supplier's credit to support community development initiatives, such as small business development, entrepreneurship training, and job creation programs.
6. Identification of best practices for suppliers, entrepreneurs, and policymakers to leverage supplier's credit for community development.
7. Insights into the role of supplier's credit in promoting community resilience and sustainability.
8. Understanding of the potential for supplier's credit to support community development in diverse contexts, including rural, urban, and disadvantaged areas.
9. Knowledge of how supplier's credit can be combined with other financing options to support community development.
10. Insights into the policy and regulatory implications of supplier's credit for community development.

This knowledge can inform community development initiatives, policy decisions, and entrepreneurial support programs, ultimately contributing to more effective and sustainable community development outcomes.

### **Summary:**

This study examined the role of supplier's credit in entrepreneurial growth and community development, with a focus on underserved communities. The mixed-methods approach revealed that supplier's credit is a vital financing option for entrepreneurs, facilitating growth, job creation, and community development. Strong supplier-entrepreneur relationships, trust, and cooperation are essential for accessing supplier's credit. The study highlights the potential of supplier's credit to address financing gaps in underserved communities, promoting inclusive finance and community development.

### **Conclusion:**

Supplier's credit is a critical component of entrepreneurial finance, enabling entrepreneurs to access financing and drive growth in underserved communities. The study's findings underscore the importance of supplier-entrepreneur relationships, social capital, and inclusive finance in facilitating entrepreneurial growth and community development. Policymakers, entrepreneurs, and suppliers can leverage supplier's credit to promote economic development and address financing gaps in underserved communities.

### **Recommendations:**

#### **1. Policymakers:**

Develop initiatives to promote supplier's credit, such as training programs for suppliers and entrepreneurs.

Establish regulatory frameworks to protect suppliers and entrepreneurs.

#### **2. Entrepreneurs:**

Foster strong relationships with suppliers to access supplier's credit.

Develop business plans and financial management skills to effectively utilize supplier's credit.

#### **3. Suppliers:**

Offer supplier's credit to entrepreneurs, prioritizing trust and cooperation.

Develop flexible credit terms and repayment plans to accommodate entrepreneurs' needs.

#### **4. Future Research:**

Investigate the impact of supplier's credit on entrepreneurial growth and community development in diverse contexts.

Explore innovative financing models combining supplier's credit with other financing options.

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