Social Capital and Entrepreneurship: Impact of Trust and Social Interaction on Entrepreneurship Trial

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Abstract

Social capital is an important factor in entrepreneurship in emerging economies as it allows for the recognition and use of opportunities. Although previous literature emphasizes social capital, the role of various dimensions concerning it in entrepreneurship remains underexplored. Moreover, the impact of these dimensions on the early stages of entrepreneurship requires further consideration. Thus, this study investigates the impact of social capital on the trial stage of entrepreneurship. Specifically, it examines the effect of trust and social interaction on entrepreneurial trial in an emerging economy—Türkiye. Based on a sample of Turkish firms, the results of the empirical analyses reveal that trust and social interaction have positive impacts on entrepreneurial trial. However, the interaction between trust and social interaction has a negative impact on entrepreneurship trial. This study advances research on entrepreneurship by considering the associations between the various aspects of social capital and entrepreneurial activities.

Keywords

Entrepreneurship trial, Social capital, Social interaction, Trust

Introduction

Social capital refers to the patterns of social relations, which facilitate actors or individuals’ action (Adler & Kwon, 2002). It has been investigated at the organizational, group, and individual levels (Payne, Moore, Griffis & Autry, 2011). It has a crucial role in entrepreneurial activities of individuals and organizations (Gedajlovic, Honig, Moore Payne & Wright, 2013). Entrepreneurs develop social capital by establishing networks with others to access resources and information (Cope, Jack & Rose, 2007). Previous studies have investigated its role in entrepreneurship in developed economies (Bauernschuster, Falck & Heblich, 2010; Kwon, Heflin & Ruef, 2013; McKeever, Anderson & Jack, 2014; Patel & Wolfe, 2023; Rodrigo-Alarcon, Garcia-Villaverde, Ruiz-Ortega & Parra-Requena, 2018) and have considered these relations across countries (Afandi, Kermani & Mammadov, 2017; Sahasranamam &
Nandakumar, 2020), alongside emerging ones (Abane, Adamtey & Kpeglo, 2024; Correa, Queiroz & Shigaki, 2021).

Social capital theory, which is regarded as one of the theoretical perspectives to inform entrepreneurship, maintains that higher levels of social capital relate to greater knowledge access, resource exchange, entrepreneurship, and performance (Adler & Kwon, 2002; Bowey & Easton, 2007; Cope et al., 2007; Gedajlovic et al., 2013; Pillai, Hodgkinson, Kalyanaram & Nair, 2017; Wang, Wang, Ma & Wang, 2022). Specifically, social capital is crucial for emerging economies, where firms operate in an environment with weak institutional support (Peng & Luo, 2000). However, social capital theory maintains that social capital may have negative sides for the actors (Adler & Kwon, 2002; De Groot, Mihalache & Elfring, 2022; Granovetter, 1985; Uzzi, 1997). Excessive embeddedness within networks hinders the acquisition of new ideas and knowledge. Consequently, individuals cannot identify new ideas and opportunities for entrepreneurship (Pillai et al., 2017; Yates, Vardaman & Chrisman, 2023). However, whether individual level social capital influences entrepreneurial behavior positively or negatively in emerging economies is not fully known (Patel & Wolfe, 2023; Payne et al., 2011). That is, it has been argued that the role of social capital in entrepreneurship has not been sufficiently understood (Afandi et al., 2017; Rodrigo-Alarcon et al., 2018; Sahasranamam & Nandakumar, 2020). Furthermore, social capital may have different impacts at various phases of entrepreneurial activities (Gedajlovic et al., 2013), with previous studies considering the earlier stages of entrepreneurship to a limited extent (Afandi et al., 2017).

This study aims to fill these gaps in the literature by exploring the relations between social capital and the trial phase of entrepreneurship within the framework of social capital theory. Accordingly, this study contributes to the relevant literature in two ways. First, by examining social capital and entrepreneurship relations at the individual level, this study responds to the call for further research on how individual networks influence the early stages of entrepreneurship (De Clercq, Dimov & Thongpapanl, 2013; Gedajlovic et al., 2013; Payne et al., 2011). Moreover, by investigating these relationships in an emerging economy, this study advances the existing research on developed economies (Bauernschuster et al., 2010; Khan, Breitenecker & Schwarz, 2014; Kwon et al., 2013; Percoco, 2012; Rodrigo-Alarcon et al., 2018). Considering that social capital is an important resource in emerging economies, this examination allows us to understand whether social capital has favorable or negative impacts on entrepreneurship. In relation, focusing on a single country may reduce the possible variations in different contexts across countries (Batjargal, 2007). Second, this study examines the effect of social capital on the trial stage of entrepreneurship, allowing us to understand how various aspects of social capital (e.g., trust and social interaction) influence the initial phases of entrepreneurial activity (Afandi et al., 2017; Gedajlovic et al., 2013).

In sum, this study concentrates on exploring the linkages between various dimensions of social capital and the trial phase of entrepreneurship. Since social capital is highly valued in
emerging economies, characterized by inefficient capital, labor, and product markets, this examination enhances our understanding of whether social capital facilitates or hinders entrepreneurship in such economies (Gedajlovic et al., 2013; Khanna & Palepu, 1997; Pillai et al. 2017).

Drawing on the social capital theory, this study proposes that the two aspects of social capital, such as trust and social interaction positively affect entrepreneurship. Additionally, trust and social interaction is expected to jointly influence entrepreneurship positively. The empirical results indicate that trust and social interaction have favorable effects on entrepreneurship trial. However, the findings reveal that the interaction between trust and social interaction has a negative impact on such trial. Accordingly, first, social capital and entrepreneurship relations are explained, and hypotheses are generated. Then, the research methodology is explained. Finally, empirical results are presented along with the discussion of the findings, limitations, and avenues for further research.

Theoretical Framework and Hypotheses

Social capital theory is regarded as a theoretical foundation to enlighten entrepreneurship research (Gedajlovic et al., 2013; Lin, 1999). This theoretical approach allows the exploration of the individual and collective level outcomes of social interactions (Payne et al., 2011). In social capital theory, social relations are valuable resources for individuals that enable access to information and goals (Adler & Kwon, 2002; Nahapiet, 2008; Nahapiet & Ghoshal, 1998). Social capital, through various dimensions, helps with accessing information and networks (De Groot et al., 2022; Wulandhari, Golgeci, Mishra, Sivarajah & Gupta, 2022). Thus, individuals benefit from interactions within their networks to identify entrepreneurial opportunities (Lee, 2009). However, when actors are embedded within their networks, they cannot obtain novel information and knowledge (Adler & Kwon, 2002; Uzzi, 1997; Yates et al., 2023). Therefore, they may miss out on accessing new information required for entrepreneurial activities (Pillai et al., 2017). Accordingly, in this study, the relationships between social capital and entrepreneurship have been discussed within the theoretical framework of social capital.

Entrepreneurship can be expressed as the interaction among society, individuals, and social communities (McKeever et al., 2014). It is a process, which requires relations between key actors (Aldrich & Zimmer, 1986). Entrepreneurs are individuals who utilize the opportunities that others do not realize (Casson & Della-Giusta, 2007). Due to information asymmetries, some individuals get access to knowledge and information about opportunities before others; therefore, they exploit such opportunities in entrepreneurial activities. Individuals do not possess the same kind of information on entrepreneurial opportunities. The distribution of such information depends on individuals’ conditions (Shane & Venkataraman, 2000).
Granovetter (1985) discusses that economic behavior has primarily been embedded in networks of relations between individuals. In this case, social capital is a vital element in entrepreneurship (Anderson, Park & Jack, 2007). Hidalgo, Monticelli, and Bortolaso (2021) propose that social entrepreneurs should build interpersonal relationships. Westlund and Gallowell (2012) suggest that there is a strong relationship between entrepreneurial activities and social capital. Social capital is regarded as a resource, stemming from social relations (Adler & Kwon, 2000), based on social interactions, and formed through various relations between actors (McKeever et al., 2014). Westlund and Bolton (2003) note that social capital can act both as a preference and resource in entrepreneurship. Furthermore, entrepreneurship activities are embedded in a social context (McKeever et al., 2014).

Social capital encourages entrepreneurial activities because it facilitates access to the resources for establishing new businesses (Bahmani, Galindo & Mendez, 2012). As it involves reciprocity and trust, such capital allows for effective entrepreneurship (Light & Dana, 2013). Entrepreneurs build social capital by forming networks, providing them with knowledge, information, and other resources. Moreover, these networks affect entrepreneurs’ opportunity utilization (Cope et al., 2007). For instance, Sahasranamam and Nandakumar (2020) point out that individual social capital may enhance social entrepreneurs’ access to resources. Thus, social capital influences entrepreneur’s perception of opportunities (McKeever et al., 2014).

Coleman (1988) suggests that individuals’ actions are formed by social context. Interpersonal trust and social networks are crucial factors in an economy. Social relations deliver information for individuals’ actions. In emerging economies, informal governance factors facilitate resource access for entrepreneurship, especially through social ties between individuals (Foo, Vissa & Wu, 2020). Foo et al. (2020) suggest that family relationships and community influence an individual’s behavior in such economies. Furthermore, personal networks of relations are the means of doing business in transition economies (Batjargal, 2007).

Prior studies have highlighted the positive influence of social capital on entrepreneurship. Sahasranamam and Nandakumar (2020) depict that individual level social capital has a positive significant power on entry of social entrepreneurship. Percoco (2012) shows that social capital is an important antecedent of entrepreneurship in Italy. Estrin, Mickiewicz, and Stephan (2013), based on an individual level data from 47 countries, reveal that the prevalence of social entrepreneurs positively influences the probability to become a commercial entrepreneur. Abane et al. (2024) show that social capital contributes to the growth of new enterprises in Ghana. Shao and Sun (2021) find that entrepreneurs’ structural and cognitive social capital facilitate venture capital financing. Chen and Wang (2008), based on research in entrepreneurial teams in Taiwan, find that external and internal social networks positively influence innovative capability. Thus, trust and social interaction, which are the important aspects of social capital, can facilitate entrepreneurs’ activities.
Trust, Social Interaction and Entrepreneurship

Trust is one of the characteristics of relational social capital (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998), occurring between individuals, firms, or institutions (Welter, 2012). Zaheer, McEvily, and Perrone (1998) define interpersonal trust as the extent of trust between partners. Personal trust can be interpreted as a phenomenon emerging between two or more partners. Trustworthy partners have personal characteristics, such as sympathy, loyalty, honesty, and empathy (Welter, 2012). Welter (2012) suggests that future studies should consider the contexts in which trust occurs. In contexts, where institutions are inefficient, such as emerging economies, examining the role of trust in entrepreneurship becomes imperative.

To develop businesses, entrepreneurs should build trust-based ties (Welter, 2012). Specifically, the entrepreneurial process, which is characterized by interpersonal relations, includes high degrees of uncertainty and low degrees of predictability in the early stages. In this case, trust needs to emerge quickly (Goel & Karri, 2006). New businesses have risks that are associated with investment in resources and capital. Interpersonal trust facilitates the sharing of information by reducing the possibility of opportunistic behavior and the need for monitoring (Pathak & Muralidharan, 2016). Trust can take a primary role as an informal institution and reduce the transaction costs and risks of entrepreneurial actions, such as entering new businesses with others (Goel & Karri, 2006; Neergaard & Ulhoi, 2006; Welter, 2012). Deng, Liang, Fan, and Cui (2020) argue that trustworthy relations in social entrepreneurship decrease the transaction costs related to running a business.

Trust facilitates the access to various resources, which are difficult to acquire with arm’s-length relations (Uzzi, 1997). Entrepreneurs also receive information on entrepreneurial opportunities (Goel & Karri, 2006; Pathak & Muralidharan, 2016). Trust becomes more important for the entrepreneurial process in transition economies (Manolova, Gyoshev & Manev, 2007). Particularly, in emerging economies, in the absence of well-developed markets, individuals rely on trust-based relations (Foo et al., 2020); personal trust compensates for the inadequacies associated with regulatory institutions and facilitates entrepreneurial exchange (Manolova et al., 2007).

Previous research on the relations between trust and entrepreneurship reveals mixed results. Pathak and Muralidharan (2016), based on individual level data from 27 countries, demonstrate that interpersonal trust increases the individual level social and commercial entrepreneurship. Rodrigo-Alarcon et al. (2018) reveal that relational social capital in the form of trust significantly influences the orientation of entrepreneurs in the Spanish agri-food industry. Turkina and Thai (2013) find that interpersonal trust positively affects entrepreneurship in 34 Organization for Economic Co-operation and Development (OECD) countries. Zeffane (2015) shows that trust affects entrepreneurial intentions in the United Arab Emirates. Manolova et al. (2007) suggest that entrepreneurs’ interpersonal trust is associated with
economic exchange in Bulgarian small businesses. Chen and Wang (2008) reveal that trust of entrepreneurial teams moderates the relation between external social networks and innovative capability in Taiwan. Furthermore, based on a data from 44 entrepreneurial Austrian teams, Khan et al. (2014) show that affective trust is crucial in enhancing team effectiveness. However, Doh and Zolnik (2011), based on individual level survey data from 53 countries, reveal that although generalized trust has a reducing influence on entrepreneurship in the form of self-employment, institutional trust has a positive impact. Moreover, based on individual level survey data from 58 countries, Ayob (2018) reveals no moderating impact of generalized trust on the relationship between ethnic diversity and social entrepreneurship. Afandi et al. (2017) depict that interpersonal trust does not affect entrepreneurial process. However, while institutional trust (in government & civic bodies) negatively affects the prefer stage of entrepreneurial process, the effect of trust in government institutions on the success stage of entrepreneurship is positive. Further, the authors find no impact of interpersonal and institutional trust on the trial stage of entrepreneurship across 35 European and Central Asian countries. Based on these discussions, in emerging economies, entrepreneurs’ trustworthy relations are expected to lead to establishing new businesses. Therefore,

Hypothesis 1: Trust has a positive impact on entrepreneurship trial. 

Social interaction represents structural social capital and provides information and knowledge (Molina-Morales & Martinez-Fernandez, 2009, 2010; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998; Wang et al., 2022). Since social capital includes social interaction, entrepreneurs use it to access to resources (Abane et al., 2024; Aidoo, Agyapong & Mensah, 2020; Cope et al., 2007). Furthermore, social interaction enhances knowledge sharing by boosting the depth and breadth of exchange (Yli-Renko, Autio & Sapienza, 2001). Entrepreneurs obtain information on resources and opportunities from their networks (Bowey & Easton, 2007). These networks may comprise individuals, such as other people, family, or clubs (Cope et al., 2007). Entrepreneurship through such networks can include communication and expectations (Aldrich & Zimmer, 1986). Individuals’ networks are crucial in entrepreneurial activities in emerging economies (De Clercq, Danis & Dakhli, 2010). Chen and Wang (2008) suggest that an entrepreneurial team’s networks of external social relations are sources of knowledge and information. De Clercq et al. (2010) propose that entrepreneurs’ social ties, such as activities in voluntary organizations, political parties, or trade unions, offer them with various resources to establish new businesses in emerging economies.

Previous studies generally exhibit a favorable impact of social ties on entrepreneurial process. Rodrigo-Alarcon et al. (2018) find that structural social capital through network ties and density significantly impacts orientation of entrepreneurs in the Spanish agri-food industry. Doh and Zolnik (2011), based on individual level survey data from 53 countries, reveal that associational activities in the form of active membership positively impacts entrepreneurship
in the form of self-employment. Bauernschuster et al. (2010) show that social capital in the form of membership in associations and clubs is positively associated with an individual’s entrepreneurship propensity in Germany. Kwon et al. (2013) show that membership with connected organizations is related to the greater level of self-employment in the U.S., meanwhile, membership with isolated organizations decreases the probability of self-employment. De Clercq et al. (2010) elicit that various associational activities in voluntary organizations have positive impact on establishing and running a new business. Danis, De Clercq, and Petricevic (2011) reveal that social relations have more impact on entrepreneurial activities in emerging economies than the observed impact in developed ones. Patel and Wolfe (2023) find a strong relation between regional economic connectedness and local entrepreneurship in the U.S. Moreover, while social capital in the form of regional network cohesiveness, which is based on social support, strengthens the positive association between regional economic connectedness and local entrepreneurship activity, regional network cohesiveness based on social clustering weakens the positive association between regional economic connectedness and local entrepreneurship activity. Afandi et al. (2017) show that individuals’ network relations with relatives and friends enhance the likelihood to prefer self-employment. However, frequency of such meeting diminishes individuals’ trial of establishing a business in 35 European and Central Asian countries. Professional organization membership positively affects prefer, trial, and success stages of entrepreneurship; whereas, labor union membership negatively affects them. Therefore,

Hypothesis 2: Social interaction has a positive impact on entrepreneurship trial.

**Joint Impact of Trust and Social Interaction on Entrepreneurship**

Nahapiet and Ghoshal (1998) argue that social capital dimensions are related, despite having different features. Social interaction may lead to trust between actors. As individuals interact, they trust each other more and share information (Tsai & Ghoshal, 1998; Yli-Renko et al., 2001). Individuals may intend to start a business when they build trustworthy relations and frequently interact with each other. However, as entrepreneurial process includes risks, an over-trust in the relationships may spur failures. Furthermore, trust involves risks in that individuals may confront unpredictable outcomes in their relationships (Goel & Karri, 2006). Additionally, frequent interactions among individuals may over-embed them in a network where such interaction does not allow for capturing new entrepreneurial opportunities (De Groot et al., 2022; Granovetter, 1985; Pillai et al., 2017; Uzzi, 1997; Yates et al., 2023). However, in emerging economies, in the absence of well-functioning labor, product, and capital markets, individuals rely on their personal relationships (Khanna & Palepu, 1997). Thus, the joint occurrence of social interaction and trust among individuals may enhance the intention and possibility of starting a business. Therefore,
Hypothesis 3: The interaction between trust and social interaction has a positive impact on entrepreneurship trial.

Figure 1 summarizes the proposed conceptual relations.

![Proposed conceptual model](image)

*Figure 1.* Proposed conceptual model.

**Methodology**

**Data**

The data for the present research comes from the third round of Life in Transition Survey (LiTS). The survey is conducted by the European Bank for Reconstruction and Development (EBRD) between 2015 and 2016. The survey collects individual level data about social, political, and economic topics in transition economies. The survey includes 1,500 observations for Türkiye. The data are collected by face-to-face interviews and are freely accessible to scholars (the approval of ethics committee is not required). The potential common method variance is alleviated by keeping respondents’ names and identities anonymous and including various response formats, such as binary and Likert scales (Podsakoff, MacKenzie, Lee & Podsakoff, 2003).

**Variables**

**Dependent Variable**

Entrepreneurship: Entrepreneurship can be a firm-level phenomenon (Barringer & Blue-dorn, 1999); however, research has also focused on individual entrepreneurs’ activities. Ent-
entrepreneurship can be measured in several ways, such as self-employment, start-up activity, or the discovery of opportunities (Bjornskov & Foss, 2016; Gohman, 2012). Hsieh, Parker, and Van Praag (2017) measure entrepreneurship by occupational choice (self-employment vs. wage employment). Covin and Slevin (1991) suggest that individuals’ actions make them entrepreneur. Individual behavior affects firms’ actions. In this regard, in the present paper, entrepreneurship is measured by entrepreneurship trial following prior studies (Afandi et al., 2017). In the survey, respondents are asked whether they have ever tried to set up a business. The entrepreneurship trial variable is assigned the value 1 if the respondents have tried, and 0 otherwise.

Independent Variables

Trust: In the survey, all the respondents are asked “Generally speaking, would you say that most people can be trusted, or that you can’t be too careful in dealing with people?” The answers are indicated on a scale from 1 to 5, where 1 means that individuals have complete distrust and 5 means that individuals have complete trust.

Social interaction: Social interaction variable is operationalized by respondents’ indication of the frequency of meetings with friends or relatives. To measure the social interaction variable, the answers are coded from 1 (never) to 5 (on most days).

Control Variables

Respondents’ age, gender, and risk tendency are used as control variables. Risk taking is measured on a scale from 1 (not willing to take risks at all) to 10 (very much willing to take risks). Since the dependent variable is binary, logit regression is used to estimate the model (Hoetker, 2007). All the analyses are conducted by using Stata (V14.2).

Results

Table 1 presents the minimum, maximum values, standard deviations, means, and the correlations between the variables. The correlations are below 0.5, therefore, multicollinearity is not likely to be an issue (Hair, Black, Babin & Anderson, 2010).

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
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<th>3</th>
<th>4</th>
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<th>6</th>
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<tbody>
<tr>
<td>1. Entrep. Trial</td>
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<tr>
<td>2. Trust</td>
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<td>3. Social interaction</td>
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<td>4. Age</td>
<td>.05*</td>
<td>.01</td>
<td>−.02</td>
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<td>5. Gender</td>
<td>.11*</td>
<td>−.08*</td>
<td>.01</td>
<td>.09*</td>
<td>1</td>
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</table>
Table 2 shows the results of the logit regression analysis regarding the effects of trust, social interaction, and the interaction between trust and social interaction on entrepreneurship trial. Model 1 includes the control variables, and trust variable. Model 2 has the social interaction variable. Model 3 includes all the variables and the interaction term between trust and social interaction.

In Table 2 (model 3), age, gender, and risk tendency have positive impacts on entrepreneurship trial. The results depict that trust has a favorable and significant influence on entrepreneurship trial, thus supporting Hypothesis 1 (β = 0.979, p < 0.05). In addition, the effect of social interaction on entrepreneurship trial is positive and significant; therefore, Hypothesis 2 is also supported (β = 0.769, p < 0.1). However, the results indicate a negative and significant impact of interaction between trust and social interaction on entrepreneurship trial; hence, Hypothesis 3 is not supported (β = −0.211, p < 0.1).

Table 2
Logit Regression Results: Entrepreneurship Trial

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<th>Variable</th>
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<tr>
<td>Age</td>
<td>0.017**</td>
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<td></td>
<td>[0.045]</td>
<td>[0.047]</td>
<td>[0.040]</td>
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<tr>
<td>Gender</td>
<td>1.044***</td>
<td>0.935***</td>
<td>1.019***</td>
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<tr>
<td></td>
<td>(0.235)</td>
<td>(0.232)</td>
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<tr>
<td>Risk tendency</td>
<td>0.132**</td>
<td>0.169***</td>
<td>0.143**</td>
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<td></td>
<td>(0.056)</td>
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<td>[0.018]</td>
<td>[0.002]</td>
<td>[0.011]</td>
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<tr>
<td>Trust</td>
<td>0.236**</td>
<td>0.086 (0.131)</td>
<td>0.979** (0.451)</td>
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<td></td>
<td>(0.103)</td>
<td>[0.510]</td>
<td>[0.030]</td>
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<td>Social interaction</td>
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<td>0.769* (0.418)</td>
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<td></td>
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<td>[0.066]</td>
<td>[0.087]</td>
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<tr>
<td>Trust x Social interaction</td>
<td>−5.395***</td>
<td>−5.075***</td>
<td>−8.162***</td>
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<tr>
<td></td>
<td>[0.510]</td>
<td>[0.066]</td>
<td>[0.087]</td>
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<tr>
<td>Constant</td>
<td>−346.725</td>
<td>−346.343</td>
<td>−338.164</td>
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<tr>
<td>Log likelihood</td>
<td>.054</td>
<td>.043</td>
<td>.059</td>
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<tr>
<td>Pseudo R²</td>
<td>39.54***</td>
<td>31.28***</td>
<td>42.10***</td>
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<tr>
<td>LR chi²</td>
<td>1487</td>
<td>1460</td>
<td>1458</td>
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</table>

* p<0.1, ** p<0.05, *** p<0.01.
Discussion and Conclusion

This paper explores the influence of trust and social interaction between individuals on entrepreneurship trial within the framework of social capital theory. In addition, it investigates how trust and social interaction jointly affect entrepreneurship. Social capital theory maintains that higher levels of social capital relate to greater knowledge access, resource exchange, entrepreneurship, and performance (Adler & Kwon, 2002; Bowey & Easton, 2007; Gedajlovic et al., 2013; Pillai et al., 2017; Wang et al., 2022). According to the theory, social relations are valuable resources for individuals, enabling them to access information and achieve their aims (Nahapiet, 2008; Nahapiet & Ghoshal, 1998). Specifically, social capital is an important resource in emerging economies (Peng & Luo, 2000). The findings show that trust positively impacts entrepreneurship trial, complementing the theoretical framework of social capital and revealing the importance of trust in entrepreneurship. This finding is consistent with similar studies, where entrepreneurship has been found to be enhanced by trust between individuals. For instance, Pathak and Muralidharan (2016) find that interpersonal trust increases the individual level social and commercial entrepreneurship. Rodrigo-Alarcon et al. (2018) show that relational social capital in the form of trust has a significant impact on entrepreneurial orientation. Zeffane (2015) finds that trust affects entrepreneurial intentions in United Arab Emirates. Turkina and Thai (2013) reveal that interpersonal trust positively affects entrepreneurship in 34 OECD countries. Abane et al. (2024) reveal that structural, relational, and cognitive social capital support the growth of new enterprises in Ghana. Patel and Wolfe (2023) show that the relation between regional economic connectedness and local entrepreneurship is strong in the U.S. However, this finding partly contrasts with the results in other studies. For instance, Afandi et al. (2017) find no impact of interpersonal and institutional trust on trial stage of entrepreneurship. Doh and Zolnik (2011) show that while generalized trust has a reducing impact on entrepreneurship in the form of self-employment, institutional trust has a positive impact. Ayob (2018) finds no moderating impact of generalized trust on the relationship between ethnic diversity and social entrepreneurship.

Moreover, this study reveals a positive impact of social interaction on entrepreneurship trial. This positive effect of social interaction on entrepreneurship is consistent with the theoretical framework of social capital. This effect is in line with the findings in the prior studies. For instance, Bauernschuster et al. (2010) elicit that social capital via membership in associations and clubs is positively associated with an individual’s entrepreneurship propensity. Doh and Zolnik (2011) show that associational activities in the form of active membership have a positive impact on entrepreneurship. Rodrigo-Alarcon et al. (2018) find that structural social capital via network ties and density has a significant influence on entrepreneurial orientation. However, contrary to the findings, Afandi et al. (2017) show that frequency of meeting friends and relatives reduces entrepreneurship trial.
The findings show a negative influence of interaction between trust and social interaction on entrepreneurship trial. Within the theoretical framework of social capital, it has also been argued that social capital may have dark sides (Adler & Kwon, 2002; De Groot et al., 2022). Excessive embeddedness within networks hinders acquisition of new ideas and knowledge. Consequently, individuals may be unable to identify new entrepreneurial ideas and opportunities (Pillai et al., 2017; Yates et al., 2023). In other words, although social capital contributes to entrepreneurship through providing individuals with resources, the joint utilization of its aspects may also have negative outcomes (Anderson et al., 2007; Gedajlovic et al., 2013; Light & Dana, 2013; Molina-Morales & Martinez-Fernandez, 2009; Payne et al., 2011). For instance, Uzzi (1997) emphasizes the over-embedded networks and states that embeddedness can harm economic performance of entrepreneurial firms by preventing them from getting information beyond such networks. Rodrigo-Alarcon et al. (2018) argue that structural social capital through network ties and density may prevent entrepreneurs form entrepreneurial orientation because dense ties may not provide them with new information and opportunities. Yates et al. (2023), based on the review of the literature, argue that while social relations among family members allow them to access knowledge and resources, excess relations prevent them from obtaining knowledge for entrepreneurial activities. Pyo, Tamrakar, Lee, and Choi (2023) show that social capital acts as a double-edged sword in new product diffusion process. Therefore, the joint impact of trust and social interaction on entrepreneurship can be the reflection of the embeddedness of individuals within their networks (Pillai et al., 2017). In summary, this study reveals the importance of various dimensions of social capital in the early stages of entrepreneurship. Trust and social interaction have positive impacts on individuals’ intention to set up a business. Moreover, negative consequences of social capital exist in an emerging economy context. A negative result occurs when the two social capital dimensions are considered together.

The results of this study have implications for entrepreneurs in emerging economies. The findings suggest that entrepreneurs should consider networking relationships within their environments (Santoro, Bertoldi, Giachino & Candelò, 2020). They should enhance their social capital in the form of trustworthy relations and social interactions with individuals to create competitive advantage in the early phase of entrepreneurial activities in emerging economies. However, entrepreneurs should be cautious when forming relations. The excess use of social capital may inhibit entrepreneurial activities. They need to carefully use the different aspects of social capital because when trustworthy and social relations are considered together, they may have unfavorable impacts on such activities (Patel & Wolfe, 2023; Shao & Sun, 2021).

This study has several limitations, which can lead to further research. The operationalization of social capital is limited to trust and social relations based on the availability of the survey data. Further studies may consider other dimensions, such as norms, shared goals, or density of ties between individuals (Payne et al., 2011). Investigating these relations in a sing-
The country reflects the characteristics of institutional environment; however, other emerging economies may have different cultural and institutional contexts. Therefore, examining other emerging economies would be desirable (Aidoo et al., 2020; Batjargal, 2007; Wu, 2008). A possibility of reverse causality exists between concepts due to the cross-sectional data; therefore, further studies may use longitudinal data to overcome these problems (Patel & Wolfe, 2023; Sahasranamam & Nandakumar, 2020).

References


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