IMPACT OF SOCIAL CAPITAL ON ENTREPRENEURIAL ACTIVITIES IN NIGERIA

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Abstract

This study examines the impact of social capital on entrepreneurial activities in selected local government areas of Osun State, Nigeria. The objectives of this study are to examine the impact of social capital on the performance of entrepreneurship in the study area and to identify the relationship between social capital and opportunities that exist in entrepreneurial activities in the study area. The study adopted the descriptive research design. The population of the study are the three hundred identified Micro and small scale enterprises in selected local government areas in Osun State. A sample size of 171 respondents was arrived at using Yamane formula. The major instrument used for this study is a set of well structured questionnaire. Two hypotheses were tested. The study adopted Simple Regression Analysis in data analysis. Based on the results obtained, the study concludes that Social Capital is an important and effective factor in enhancing business performance.

A. Introduction

Entrepreneurs need capital, be it Financial, Human or Social. Financial capital is the funding you need to get off the ground, sustain growth, and develop operations. It is borrowed sums or equity with which the firm’s assets are acquired and its operations are funded (Business Dictionary). Human Capital is the team that brings value to your organization, while Social Capital, is the connections and shared values that exist between people and enable cooperation. It is the key to entrepreneurial success. ‘Social Capital broadly refers to those factors of effectively functioning social groups that include such things as interpersonal relationships, a shared understanding, shared norms, shared values, trust, cooperation, and reciprocity’. (Wikipedia). When an organization has developed a wealth of social capital, the enterprises can obtain any other resources it needs – whether that means gaining investors, recruiting experts, or building its team with the best of the best. Even if it means they are earning millions of naira and have a great team, though, without a network of supporters, the first bump in the road may just send them crashing into a ditch.

Bourdieu (1986) describes Social Capital as the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in other words, to membership in a group which provides each of its members with the backing of the collectivity-owned capital, a ‘credential’ which entitles them to credit, in the various senses of the word. These relationships may exist only in the practical state, in material and/or symbolic exchanges which help to maintain them. They may also be socially instituted and guaranteed by the application of a common name (the name of a family, a class, or a tribe or of a school, a party, etc.) and by a whole set of instituting acts designed simultaneously to form and inform those who undergo them; in this case, they are more or less really enacted and so maintained and reinforced, in exchanges. Being based on indissolubly material and symbolic exchanges, the establishment and maintenance of which presuppose re-acknowledgment of proximity, they are also partially irreducible to objective relations of proximity in physical (geographical) space or even in economic and social space.

According to OECD (Organization for Economic Co-operation and Development), Social capital is defined as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”. In this definition, we can think of networks as real-world links between groups or individuals. Think of networks of friends, family networks, networks of former colleagues, and so on. Sociologists sometimes speak of norms as society's unspoken and largely unquestioned rules. Norms and understandings may not become apparent until they're broken. If adults attack a child, for example, they breach the norms that protect children from harm. Put together, these networks and understandings engender trust
and so enable people to work together.

Social capital in general is the quality derived from the structure of an individual's network relationships. Let's look at this in terms of sales. Dr. Willy Bolander, assistant professor of marketing at Florida State University and his colleague, Dr. Cinthia Satornino, assistant professor of marketing at Northeastern University, have found that as much as 33 percent of the variance in sales performance is attributed to an individual's social capital. Consider, for a moment, how that difference can empower one's business.

Bourdieu (1986) describes Social Capital as an asset that resides in the web of relationships between and among actors and collective units. Social capital is an investment (whether or not intended) in social relationships that make available to individuals a stock of resources raising returns from individual and joint efforts (Ostrom 2001; Warren (2008)

Burns (2007) and Dosi (1988) are of the view that social capital facilitates and promotes economic actors' acquisition of knowledge and useful information. Coming from the same wave length, Fountain J E (1999) defined Social Capital as the norms and social relations embedded in social structures that enable people to coordinate action to achieve desired goals. Social capital is an intangible form of capital that is accumulated by individuals when they engage in social relationships. This investment can be intentional or not but enables an individual to engage in certain actions and to raise certain benefits otherwise impossible to reach.

B. Statement of the Problem

The key problem facing most enterprises in Nigeria, whether small, medium and large is the inability to effectively utilize all resources at their disposal for the achievement of their goals and objectives. One of the resources or capital input frequently overlooked by entrepreneurs due to inadequate knowledge of its utilization to achieve optimum advantage includes Social Capital. Social capital in general is the quality derived from the structure of an individual's network relationships, which can be utilized effectively to achieve tangible and intangible asset and services in favor of the enterprise. The inability to develop or maximize the utilization of their available Social capital and networking to its peak has hindered or stifled the growth of most enterprises in Nigeria.

The main thrust of this study is to evaluate the effect of social capital and networking on the growth, survival and development of enterprises in Nigeria in general.

Objectives of the study

The broad objective of this study is to examine the impact of social capital on entrepreneurial activities in Osun State. Other specific objectives are to:

- Examine the impact of social capital on the performance of entrepreneurship in the study area.
- Identify the relationship between social capital and opportunities that exist in entrepreneurial activities in the study area.

Research hypotheses

In order to achieve the objectives of this research, the following hypotheses were tested for the study:

Hypothesis 1

There is no significant relationship between social capital and the performance of entrepreneurial activities.

Hypothesis 2

There is no significant relationship between social capital and opportunities that exists in enterprises in Nigeria.

Literature Review

Entrepreneurship is generally accepted by academics as an essential source of innovation and economic development (Glaeser, Rosenthal, & Strange, 2010; Marshall, [1890] 1920; Smith, [1776] 2001). The ability to profit from risky endeavors aligns the incentives of individuals with the good of society and leads them to search for innovations that will make society better off. At the same time, when the responsibility of failed endeavors is
borne by the entrepreneur, ventures that might make society worse off are less likely to be pursued.

The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Many simply equate it with someone starting their own business. (Principle of entrepreneurship, https://www.ait.org.tw/infousa/zhtw/DOCS/enterp.pdf). To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance of profit while other professionals also see it as an innovator who markets his innovation.

Peter Drucker (2005) took this idea further; describing the entrepreneur as someone who actually searches for change, responds to it, and exploits change as an opportunity. Entrepreneurship is generally accepted by academics as an essential source of innovation and economic development (Glaeser, Rosenthal, & Strange, 2010; Marshall, [1890] 1920; Smith, [1776]. The ability to profit from risky endeavors aligns the incentives of individuals with the good of society and leads them to search for innovations that will make society better off. At the same time, when the responsibility of failed endeavors is borne by the entrepreneur, ventures that might make society worse off are less likely to be pursued.

Entrepreneurs have ideas to test, and some knowledge and competence to run the business, but they also need complementary resources to produce and deliver their goods or services (Teece, 1987). They get support, knowledge, and access to distribution channels through their social networks. Entrepreneurs are also linked to people and organizations that interact among themselves and these contacts can widen the availability of resources that sustain a new firm (Hansen, 1995).

Social capital according to Coleman (1990) was defined as a resource that accrues to individuals, by virtue of their access to contacts, connections, and linkages. A well connected person especially one of high status, is seen as having more of it, by converting these relationship to value to himself. Social capital tends to make a big difference between individuals or group. Individual or groups that enjoy more social capital than others through their social network use it to their advantage to get best of available resources. For instance, an organization that enjoys immense amount of social capital tends to have access to information, best and capable set of skills (labor), financial capital, power and influence etc.

Social capital is then described as an investment (whether or not intended) in social relationships that make available to individuals a stock of resources raising returns from individual and joint efforts (Ostrom 2001; Warren 2008). Social capital refers to the resources available in and through personal and business networks. These resources include information, ideas, leads, business opportunities, financial capital, power and influence, emotional support, even goodwill, trust, and cooperation.

During the 1980s and 1990s, a new concept called ‘Social Capital’ came to be vigorously discussed with entrepreneurship. The proponents argue that social capital is an important driver of entrepreneurship. Social capital is the education acquisition so as to be able to recognise and exploit such opportunities. Advocates of this concept are seen in the works of Burns P and Dosi G. They are of the view that social capital facilitates and promotes economic actors’ acquisition of knowledge and useful information. Coming from the same wave length, this article defined Social Capital as the norms and social relations embedded in social structures that enable people to coordinate action to achieve desired goals.

How to measure social capital till date is still being debated. To us, it would appear that social capital accumulates rapidly where the principle of localization of firms are achieved and their exist trust within the social persons and between the social persons and existing institutional structures such as Government, Corporate bodies and Infrastructures. One of the enabling facts to sustain trust is that each interacting entity will not only function adequately but be perceived by the other as functioning effectively. Social capital is the shared knowledge, understandings, norms, rules, and expectations about patterns of interactions that groups of individuals bring to a recurrent activity (Ostrom 2001). According to Porters (1998, p.6) social capital represents the ability of actors to secure benefits by virtue of their membership in social networks and other social structures. “ (Okten and Osili 2004).
C. Methodology

The research design used for this study is the descriptive research design. The total population of this study entails both small and large scale enterprises in Osun State, Nigeria. The study used Purposive Sampling to select some occupations; Trading, Tailoring, Shoe making, carpentry, interior and exterior decorating, plumbing which are common to the three local governments; Odo-otin,Ifelodun, and Olorunda local governments selected for the same reason. The sample size was derived mathematically using Yamane (1967);

\[
n = \frac{300}{1 + [300(0.05)^2]}
\]

\[
n = \frac{300}{1 + [300(0.0025)]}
\]

\[
n = \frac{300}{1 + 0.75} = \frac{1.75}{150} = 11.71
\]

Therefore, the sample size (n) of the study is put at 171.

Method of Data Analysis

In analyzing the data obtained from this research, a computer statistical package known as (SPSS v.20) Statistical Package for Social Sciences version 20 was used to analyze the questionnaires administered. The study adopted Simple Regression Analysis in testing the hypotheses so as to make valid decision about the study.

Testing of Hypotheses

Hypothesis 1

There is no significant relationship between social capital and the performance of entrepreneurial activities.

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>.511a</td>
<td>.261</td>
<td>.253</td>
<td>.334</td>
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a. Predictors: (Constant), Performance of Entrepreneurial Activities

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
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<td>3.467</td>
<td>31.066</td>
<td>.000b</td>
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<tr>
<td>Residual</td>
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<td>.112</td>
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<td>Total</td>
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<td>89</td>
<td></td>
<td></td>
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</tr>
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</table>

a. Dependent Variable: Social Capital Programs
b. Predictors: (Constant), Performance of Entrepreneurial Activities

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
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</thead>
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<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.594</td>
<td>.338</td>
<td>.096</td>
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<tr>
<td></td>
<td>social capital programs</td>
<td>.594</td>
<td>.338</td>
<td>.096</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Social Capital Programs

The correlation coefficient (r) and the coefficient of determination (r2) found in the Model Summary, indicate the strength of the linear trend between the variables (social capital
programs and the performance of entrepreneurial operations). The Coefficients table provides
the y-intercept and the slope for the regression equation. The ANOVA produces a p-value of
.000, which, obviously, lies below all α values i.e. 0.05 So, It means dependent variable has a
high statistically significant relationship with independent variable.

**Decision Rule**
Reject H₀ if the alpha value is greater than P-value.

**Decision**
Since 0.05>0.000, null hypothesis is hereby rejected which means there is a significant
relationship between social capital and the performance of entrepreneurial activities.

**Hypothesis 2:**
There is no significant relationship between social capital and opportunities that exist in
enterprises in Nigeria.

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tbody>
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<td>Residual</td>
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<tr>
<td>Total</td>
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</table>

a. Dependent Variable: Social Capital
b. Predictors: (Constant), Gaps and Opportunities

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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a. Predictors: (Constant), Gaps and Opportunities

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>social capital</td>
<td>2.800</td>
<td>.174</td>
<td>.565</td>
<td>16.069</td>
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<tr>
<td></td>
<td>-.728</td>
<td>.113</td>
<td></td>
<td>-6.431</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Social Capital

The correlation coefficient (r) and the coefficient of determination (r2) found in the Model
Summary, indicate the strength of the linear trend between the variables (social capital and
gaps and opportunities). The Coefficients table provides the y-intercept and the slope for the
regression equation. The ANOVA produces a p-value of .000, which, obviously, lies below all α
values i.e. 0.05. So, it means dependent variable has a high statistically significant relationship
with independent variable.

**Decision**
Since 0.05>0.000, Null hypothesis is rejected since there is a significant relationship
between social capital and opportunities that exists in enterprises.

**Discussion of Findings**
In testing hypothesis one, the regression result shows a positive relationship between
social capital and opportunities. However, the result also shows that the variables are
significant at only 5% with a p-value of 0.000 which resulted to rejecting the null hypothesis.
This is due to the fact that p value is lesser than alpha value (0.000<0.05).This indicates that
there is a significant relationship between social capital and opportunities that exists in
enterprises in Nigeria.
In testing hypothesis two, the regression result shows a positive relationship which entails that there is relationship between social capital and the performance of entrepreneurial activities. However, the result shows also that the variables are significant at only 5% with a p-value of 0.000. It resulted to rejecting the null hypothesis. This is due to the fact that p value is lesser than alpha value (0.000<0.05). This indicates that there is a significant relationship between social capital programs and success in the performance of entrepreneurial operations.

**Summary of findings**

There is a significant relationship between social capital and opportunities that exists in enterprises in Nigeria.

There is a significant relationship between social capital programs and success in the performance of entrepreneurial operations.

**D. Conclusion**

Today, the need for entrepreneurship is more noticeable, so individuals and organizations must try to find suitable ways to elevate it. One of the most important and effective factors on entrepreneurship is social capital. Paying close attention in making new capitals, whether human capital or social capitals - in our challenging era has been increasing all around. Since, in the economic criteria, industrial companies in Nigeria are very important, there has been an attempt to elevate the relationship between social capital and entrepreneurship.

**Recommendations**

The entrepreneurs should accumulate their social capital, which promotes their business size and market share. They should imbibe more social capital which will increase their operation size and market share.

Entrepreneurs should emphasize their relationship quality and external network since it assists the financial performance for start-ups. There should be improvement of relationship quality and external network since these social capital components assist the overall performance for enterprises.

The government should create a conducive atmosphere for the growth of small entrepreneur groups of SME because the social capital will create economic efficiency which is very useful for the host community’s economic development. There should also be serious commitment on the part of the government to measures aimed at increasing the performance of enterprises.

Functional education that is social capital oriented should be adopted and implemented in order for enterprises to utilize their social capital to their advantage to cover their shortcomings.

**References**


