

The Role of Human and Social Capital in Youth Entrepreneurship in Korbali Rural Areas

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Extended Abstract

Introduction

Small-scale firm's in rural areas play an extremely important role in the development of any country, and especially in developing countries. Our knowledge about rural individuals who begin the process of starting a new business and achieved their goal is weak. If human or social capital affect their rate of success?

This study examines the extent to which personal human capital and social capital affects the probability of success in business creation and self-employment of Korbali rural areas in the Fars province. Considerable effort continues to be expended promoting rural entrepreneurship in developing countries.

There are many people, who begin the process of starting a new business, fail to achieve their goal, while others are quite successful. Literature implies that human and social capitals are important factors that affect the result. Do individuals who attempt to start businesses in rural areas, begin with different levels of human or social capital? Do these characteristics affect their success?

Many theoretical and empirical studies have demonstrated the importance of knowledge and experience in enabling entrepreneurs to successfully recognize business opportunities, exploit them and manage an enterprise sustainably (Shane, Venkataraman, 2000). Human capital comprises the level of knowledge and skills that resides within individuals. Further, human capital can be developed over time and transferred between individuals (Ucbasaran, & et al.,

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2008). In a research to examining the direct effects, Bhagavatula explore the possibilities

of social capital mediating between human capital, on the one hand, and opportunity recognition and resource mobilization on the other (Bhagavatula, 2010). The social network theory postulates that the way in which entrepreneurs exploit new opportunities spotted in networks (Kadushin, 2002), ability and experience of entrepreneurs (Batjargal, 2007). In a research, Batjargal examines the interaction effects of social capital and human capital of entrepreneurs on the performance of Internet ventures. The empirical data are composed of the longitudinal surveys of 94 Internet ventures in Beijing, China. The study found that the interaction of social capital and experience of entrepreneurs has a positive effect on the survival likelihood of Internet firms whereas the interaction of social capital and startup experience of entrepreneurs has a negative effect on firm performance (Bat Batjargal, 2007).

To understand entrepreneur's success factors, we rely on the network and human capital perspective on entrepreneurship. In this paper, we investigate how the social and human capital of entrepreneurs influences their ability to recognize opportunities and provide resources to exploit them. This research examined the effects of social capital and human capital on entrepreneurial opportunity recognition and exploitation.

Methodology

The proposed study is basically an empirical study that will employ both qualitative and quantitative methods of analysis (mixed methods). The survey will be conducted through an interview survey. Interviews with several selected rural experts carried out and they lead us to entrepreneurs. Following the quantitative analysis in order to gain in-depth information regarding research variables we use a Likert scale questionnaire. The size of sample was 85. The data are composed of qualitative interview and structured questionnaires.

Results and Discussion

We investigate two questions: To what extent does investment in human and social capital, besides the effect of entrepreneur's leads to entrepreneurial success. We define entrepreneurial success as three variables: 1- The number of opportunities recognized, 2- The number of opportunities exploited and 3- The age of business created as business sustainability. Entrepreneurs Social Capital determined by a number of indicators: Personal networks and Business networks. Human capital of the entrepreneurs determined by a number of indicators: Education, Business experience, Ownership experience, Vocational experience, Technical skills, Managerial skills, Entrepreneurial skills.

Hypothesis 1, 2, 3. Human capital, representing Education, Business experience, Ownership experience, Vocational experience, Technical skills, Managerial skills and Entrepreneurial skills will be positively associated with entrepreneurial success, as indicated by the number of opportunities recognized, The number of opportunities exploited and The age of business created as business sustainability.

Hypothesis 4, 5, 6. Social capital, representing Personal networks and Business networks, will be positively associated with entrepreneurial success, as indicated by the number of

opportunities recognized, the number of opportunities exploited and the age of business created as business sustainability.

The findings reveal positive results for proposed hypotheses. In the context of the rural areas, the analysis suggests that combination of social network and human capital drives entrepreneurial efforts.

Conclusion

This paper addresses the role that the human capital and social capital characteristics of individuals in the business creation success. The findings from this study suggest that entrepreneurs would be well advised to develop their business skills and promote networks of all sorts, particularly inter-firm and supply chain relations.

Consistent with a social capital perspective, this study found that a resident of a rural area with higher level of personal and organizational relationships was more likely to recognize entrepreneurial opportunities. Future research should examine whether effects of education are universal across rural areas or culture-specific.

Keywords: *Entrepreneurship, Social Capital, Human Capital, Opportunity Recognition, Opportunity Exploitation.*

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