Mediating Role of Entrepreneurial Self-efficacy in the relationship of Social Capital and Entrepreneurial Intentions

Rabeeya Raoof*, Ijaz Qureshi† and Sadia Jabeen‡

Abstract
This study aims to identify the direct and indirect effect (via the mediation of self-efficacy) of social capital on to the EIs in the context of developing country of Pakistan. Data collection were done from the 5 largest universities of Lahore and Islamabad. Data were analyzed through structural equation modeling (SEM) technique. The results have affirmed that there is a positive effect of social capital on to the EIs. However, this effect is more significant via the mediation of Entrepreneurial self-efficacy. So there is a need for policymakers to provide students conducive environment that promotes their EIs while strengthens their self-believe on their abilities. The study is novel as there is not sufficient literature to comprehend the phenomenon of social capital in relation to the EIs.

Keywords- Social capital, entrepreneurial self-efficacy, entrepreneurial intention, developing countries

Introduction
The entrepreneurship is crucial in progress of any country’s economy (do Paço, Ferreira, Raposo, Rodrigues, & Dinis, 2011). According to Krueger and Carsrud (1993) entrepreneurial intention (EI) is the first step that leads toward entrepreneurship. Initially, Ajzen has stressed the vital role of individual intentions in comprehending their certain behavior and activities (Ajzen, 1991, 2002).

There is extensive literature that supports the importance of social capital for the success of entrepreneurial ventures (Read, Song, & Smit, 2009; Smallbone & Welter, 2001). Nevertheless, this issue is understudied so far that whether or not the social capital of individuals eases the process of business startup for them? We assume it as an important aspect that plays a dual role in the business startup. The social capital of an individual act as a facilitator increasing perceived behavioral control, which in the Theory of Planned Behavior (TPB) (Ajzen, 2011) is one of the factors (along with attitude and subjective

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norm) that influence behavioral intention. TPB has appeared as a proficient tool and instrument to explore an individual’s intention toward entrepreneurship e.g. (Kautonen, Van Gelderen, & Tornikoski, 2013; Van Gelderen, Kautonen, & Fink, 2015). Thus, this study will examine the effect of social capital on Entrepreneurial self-efficacy and then its impact on EI with the help of TPB. Douglas asserted that there is a linkage between the individuals' attitude towards work, income, independence, risk, and intention to become an entrepreneur (Douglas & Shepherd, 2002). Thus the positive attitude towards entrepreneurship also helps to develop EIs which leads to entrepreneurial behavior. Also, Self-efficacy impacts whether one seeks after entrepreneurship (Bandura, Barbaranelli, Caprara, & Pastorelli, 2001; Bandura & Wessels, 1997; Zhao, Seibert, & Hills, 2005). Likewise, such intentions are mediated through the effect of entrepreneurial self-efficacy and social capital. Self-efficacy is "characterized as a man's confidence in his or her capacity to perform work" (Gist, 1987) and a man's conviction that he or she can viably utilize these abilities to accomplish a specific task (Bandura & Wessels, 1997).

For the past many years the unemployment arouses as the crucial issue of Pakistan and it is increasing substantially. Government can’t meet the requirements of jobs and nor the private sector is enriched with opportunities because the formal education and training is the basic missing part, the entrepreneurs are less educated and prefer to work in an informal environment without the legal boundaries and code of conduct norms (Williams & Shahid, 2016). To address these problems the higher education system of the country needs to be reexamined for the enlargement of entrepreneurial activities and economic growth. Because this is the only way to eradicate the unemployment issues and economic deterioration (Zaman, 2013). Pakistan is one of the developing countries which is in a race to shift low income to high-income countries. So this is exactly the right time for Pakistan to introduce the policies in the promotion of entrepreneurship (Saleem, 2008). To maintain policies for best utilization of valuable resources, Small and Medium Enterprises Development Authority (SMEDA) has been established (Qureshi & Herani, 2011).

The social capital of an individual act as a facilitator increasing perceived behavioral control, which in the Theory of Planned Behavior (TPB) (Ajzen, 2011) is one of the factors (along with attitude and subjective norm) that influence behavioral intention. TPB has appeared as a proficient tool and instrument to explore an individual’s intention toward entrepreneurship e.g. (Engle et al., 2010; Kautonen et al., 2013;
Van Gelderen et al., 2015). Thus, this study will observe the effect of social capital on social norms and then its impact on EI of individuals with the help of TPB. Self-efficacy is associated with country-level social capital and entrepreneurial activity (Kwon & Arenius, 2010) and the successful development of entrepreneurship increases the welfare of the nation as a whole (Kwon & Arenius, 2010). This study is unique because it explores the effect of social capital onto the Els through the mediation of entrepreneurial self-efficacy. Moreover, it elaborates the direct relationship between social capital and EI. Furthermore, this study proposes the implications for policy makers of government and educational institutes.

**Theoretical Framework and Hypothesis Development**

**Social Capital and Entrepreneurial Self-efficacy**

Self-efficacy convictions additionally can direct one's level of inspirations. Individuals with elevated amounts of entrepreneurial self-efficacy set propelling objectives; they perceive they will accomplish these objectives, and they foresee defeating any snags that may ruin them from achieving their objectives. In outline, self-efficacy is directed through motivational, emotional, and cognitive aptitudes and is fortified by "dominance of experiences, social displaying, social influence, and physical and emotional states" (Bandura et al., 2001). Moreover, the desirability and feasibility also affect the entrepreneurial career decisions, especially feasibility effects the problematic decisions which leads to the final career choices. The individuals' entrepreneurial self-efficacy is a significant predictor for their goal orientations as it affects the expected outcome and aspired stage of target behaviors. Which strengthen the intention of individuals. Although the self-efficacy theory has a tendency to predict the general and specific behaviors of individuals, however, it has been ignored by the literature of management as well as entrepreneurship (Gist, 1987). Not only the career choices impact entrepreneurial self-efficacy but also the role models effects their intentions and opportunity recognition.

**H1:** The social capital is positively linked with entrepreneurial self-efficacy of an individual.

**Entrepreneurial Self-efficacy and Els**

The self-efficacy relates to the individual's beliefs about his abilities and Bandura defined it as the view of the individual's capabilities over the events which affect their life (Ajzen, 2002; Bandura et al., 2001). Bandura affirmed that self-efficacy influences the thought patterns of the individuals which inspires their actions. With the higher entrepreneurial self-efficacy, the individuals will be more inclined to putting increased
efforts and perform better which supports the EIs (Ajzen, 2002; Boyd & Vozikis, 1994). Thus with the reference of the TPB, entrepreneurial self-efficacy builds the success or failure perceptive of the individual for an entrepreneurial attitude which leads toward the EI (Ajzen, 1985). The more individuals will be self-effaced, more they will be agreed to take initiatives and risk of the entrepreneurial venture. Entrepreneurial self-efficacy is of huge importance in the entrepreneurial literature as it psychologically explains the venture creation (Fayolle, 2005; Krueger & Carsrud, 1993). So the entrepreneurial situation is also influencing the perceived entrepreneurial self-efficacy and EIs (Bandura, 1986; Fayolle, 2005). Thus with the reference of the TPB, entrepreneurial self-efficacy builds the success or failure perceptive of the individual for an entrepreneurial attitude which leads toward the EI (Ajzen, 1985). The more individuals will be self-effaced, more they will be agreed to take initiatives and risk of the entrepreneurial venture with the belief of their abilities and perception of success. On the basis of these arguments which demonstrates the positive relationship between entrepreneurial self-efficacy and EIs we may posit;  

H2: The entrepreneurial self-efficacy of an individual positively influence the EIs.  
H3: The social capital positively influences the EIs via the mediation of entrepreneurial self-efficacy.  
Social Capital and EIs  
Social capital caters the capabilities of the individuals to beneficed by means of their various ranks in the structure of the organization as individuals' friends, colleagues, classmates, and other relations. As this social capital assist the individuals to gather information, take decisions, organizing various activities as well as to coordinate to exploiting the human or physical capital (Liñán & Santos, 2007). Thus the social capital helps to utilize the resources gained from the societal network and social circle structure. It aids to provide a positive effect on the prospect entrepreneurs in taking initiatives (Davidsson & Honig, 2003). Souitaris stated the EI as “a state of mind directing a person’s attention and action toward self-employment as opposed to organizational employment” (Souitaris, Zerbinati, & Al-Laham, 2007). Though there is no extensive literature in the relevance of social capital, specifically in an entrepreneurial context still studies support this phenomenon that social capital plays the supportive role for the EIs of the individuals (Liñán, Santos, & Roldán, 2008). Thus, we may hypothesize;  

H4: Social capital positively affects the EIs.
Method

Sample and procedure

The population for this study was the management sciences students of all private sector universities of Pakistan. The selected sample was derived from the targeted population of 5 universities of Lahore and Islamabad. In this study, the data were gathered from individual respondents through the survey method. This is a time lag study as to avoid the common method bias data gathered from respondents were for twice. The data were collected in two waves, in the first wave for variables as social capital and entrepreneurial self-efficacy. After the 10 days in the second wave, data for EI was collected from the same respondents. The adapted questionnaire was used to collect data which was self-administered and the sample of 459 students was determined.

Measures

In this the study the adopted questionnaire was used. For this purpose, the Likert scale was used scaling from "strongly agreed" to "strongly disagreed". The questionnaire was comprised of two parts the demographics and the content part respectively. The content part covered all the 3 variable of the study while having has 6 questions for each variable. As EIs was measured through the 6 items which were adopted by Liñán and Chen (2009) while the independent variable social capital was measured through the 6 items scale (Paiva et al., 2014). Whereas the entrepreneurial self-efficacy was checked with 6 items adapted from the (Wilson, Kickul, & Marlino, 2007) questionnaire.
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Analysis techniques
Data analysis was done into the two steps as confirmatory factor analysis (CFA) measured the reliability and discriminant validity of the instrument (Anderson & Gerbing, 1988). Whereas Structural equation modeling (SEM) technique (Kline, 2011) was used to test the hypothesized model and also direct, indirect effects were calculated.

Data Analysis

CFA
To examine the hypothesized relationship related to factor structure, a modeling approach of CFA is used. While the factor numbers along with their interpretations and indicators are given. Thus this study followed the three stages of CFA as the provision of the hypothesized model concept was after related theories review, and then a test of the model along the observed explanatory data for internal, external consistency was done. Moreover, to validate the model through CFA each construct validity is evaluated in convergent and discriminant validity aspects. The minimum value of 0.50 is recommended for standardized factor loading of items (Hair Jr, Black, Babin, Anderson, & Tatham, 2010). Although this factor loading value is also satisfactory at 0.30 for the studies with respondents approximately around 350 (Hair, Black, Babin, Anderson, & Tatham, 2006).

The goodness of fit indices is acceptable in different methods (Gerbing & Anderson, 1992). Chi-square per degree of freedom ratio ($\chi^2$/DF), Incremental Fit Index (IFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), Adjusted Goodness of Fit Index (AGFI), Normed Fit Index (NFI) and Goodness of Fit Index (GFI) are the absolute, incremental, and parsimonious goodness of fit indices.

<table>
<thead>
<tr>
<th>Model no.</th>
<th>Model Description</th>
<th>$\chi^2$</th>
<th>Df</th>
<th>$\chi^2$/Df</th>
<th>GFI</th>
<th>TLI</th>
<th>CFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1.</td>
<td>Single-factor CFA</td>
<td>3401.58</td>
<td>152</td>
<td>22.38</td>
<td>0.46</td>
<td>0.45</td>
<td>0.51</td>
<td>0.22</td>
</tr>
<tr>
<td>Model 2.</td>
<td>Three-factor CFA</td>
<td>926.06</td>
<td>149</td>
<td>6.22</td>
<td>0.81</td>
<td>0.87</td>
<td>0.89</td>
<td>0.11</td>
</tr>
</tbody>
</table>
To evaluate the measurement model individual constructs were observed by using AMOS 16.0. Also to check the reliability and the validity of the adapted questionnaire, CFA test is used. Moment structure technique (AMOS22) is used as well. Moreover, the acceptable factor loading with 350 or more number of respondents is 0.30 (Hair et al., 2006).

As the table I shows that there is poor fit for single factor CFA with data ($\chi^2=3401.58; \text{df}=152; \chi^2/\text{df}=22.38; \text{root mean square error of approximation (RMSEA)}=0.22; \text{goodness-of-fit index (GFI)}=0.46; \text{Tucker-Lewis index (TLI)}=0.51, \text{confirmatory fit index (CFI)}=0.51$). Whereas the three-factor model exhibits the good fit of model with the data set ($\chi^2=926.06; \text{df}=149; \chi^2/\text{df}=6.22; \text{RMSEA}=0.11; \text{GFI}=0.81; \text{TLI}=0.87; \text{CFI}=0.89$). Moreover, the $\chi^2$ difference test also recognizes good fit of the three-factor model over the single factor CFA model ($p<0.05$). Thus, the standardized loadings for all of the items are higher in the three-factor model, than the acceptable values of 0.50 (0.60-0.94) (Kline, 2011) for the respective factor. Which shows that the instrument is fit to use in the South Asian context.

Moreover, the construct validity and its linkage to the theorized concept are crucial. Thus to evaluate convergent validity for three-factor model average variance extracted (AVE) for each factor is computed. As shown in table II all of the estimate values are higher than the acceptable finding of 0.50 (Fornell & Larcker, 1981). Likewise, for discriminant validity, the AVEs of all the factors were compared with the squared correlation of all the factors. This is also suggested by Fornell and Larcker (1981) and table II exhibits the higher value of AVEs than the square root value of the respective variables. Moreover, Cronbach’s $\alpha$ values show the internal consistency of all the variables (Nunally & Bernstein, 1978).

Table II: Test of discriminant validity, Reliability and convergent validity

<table>
<thead>
<tr>
<th>Latent Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>$\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Capital</td>
<td>0.69</td>
<td></td>
<td></td>
<td>0.90</td>
</tr>
<tr>
<td>Entrepreneurial self-efficacy</td>
<td>0.13</td>
<td>0.60</td>
<td></td>
<td>0.93</td>
</tr>
<tr>
<td>EIs</td>
<td>0.14</td>
<td>0.33</td>
<td>0.61</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Descriptive statistics

The mean, standard deviation (SD), and correlations of all used variables in this study are presented in table III. It also provides insight.
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for the understudied variables and it exhibits that there is no variable which is highly correlated with other variables.

Table III: Mean, standard deviation, and correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>1.44</td>
<td>0.51</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>2.22</td>
<td>0.97</td>
<td>0.02</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2.05</td>
<td>0.96</td>
<td>0.24*</td>
<td>0.59*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Capital</td>
<td>4.27</td>
<td>1.5</td>
<td>-0.09</td>
<td></td>
<td>-0.02</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial self-efficacy</td>
<td>4.7</td>
<td>1.3</td>
<td>-0.14**</td>
<td>0.0</td>
<td>-0.10*</td>
<td>0.36**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>EIs</td>
<td>4.51</td>
<td>1.4</td>
<td>-0.17**</td>
<td>0.0</td>
<td>-0.15**</td>
<td>0.37**</td>
<td>0.58*</td>
<td>1</td>
</tr>
</tbody>
</table>

Direct and indirect effects

In accordance with Anderson and Gerbing (1988), the hypothesized model was tested in structural equation modeling (SEM) technique. Also, the direct paths from the independent to dependent variables are drawn to check the mediation effect, either it's full or partial. The results affirm that the hypothesis H1 of positively linking social capital with individuals’ entrepreneurial self-efficacy is accepted. Table IV illustrates the results of (.38, p<0.001) which is positive and significant, showing the direct effect of social capital on the entrepreneurial self-efficacy of the individuals. Moreover, the result demonstrates the same effect of self-efficacy on EIs and supports the proposed hypothesis H2 which states that entrepreneurial self-efficacy of an individual positively influence the EIs. Thus, Table IV exhibits the positive and significant direct effect (.58, p<0.001) of entrepreneurial self-efficacy on EI. Likewise, results further confirm the hypothesis H3 that the social capital positively influences the EI via the mediation of entrepreneurial self-efficacy. In accordance of H3, Table IV shows (0.22, p<0.001), the magnitude of the direct effect is very positive so there exist a full mediation effect of entrepreneurial self-efficacy on the indirect relationship of social capital. Nevertheless for hypothesis H4 results has confirmed that there is an insignificant effect of social capital on the EI of an individual as the Table IV shows (0.15, p<0.001).
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Discussion

Table IV: Direct, Indirect effects of Independent Variable on Dependent Variable

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Se</th>
<th>EI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Capital</td>
<td>Direct</td>
<td>0.38***</td>
</tr>
<tr>
<td></td>
<td>Indirect via self-efficacy</td>
<td>0.15***</td>
</tr>
<tr>
<td></td>
<td>Total Effect</td>
<td>0.22***</td>
</tr>
<tr>
<td>Entrepreneurial Self-efficacy</td>
<td>Direct</td>
<td>0.37***</td>
</tr>
</tbody>
</table>

Academic contribution

The results and outcomes bolster findings of past studies that have demonstrated that the esteem connected to the activities of entrepreneurship (Kibler, Kautonen, & Fink, 2014). Entrepreneurial intent (Liñán, Urbano, & Guerrero, 2011; Malebana, 2014) and the state of mind towards turning into a business visionary (Puni, Anlesinya, & Korsorku, 2018) are positively impacted and affected by entrepreneurial self-efficacy. The outcomes and findings agree with those of different past researchers on the importance of introduction to entrepreneurial good examples (Uygun & Kasimoglu, 2013) and social help from weak and strong ties (Malebana, 2014; Tatarko & Schmidt, 2013) in invigorating entrepreneurial intent.

Overall results of this study are satisfying as all of the hypotheses were accepted. The entrepreneurial self-efficacy affects EI and this sort of condition could improve the probability of beginning a business (Zanakis, Renko, & Bullough, 2012) by affecting on entrepreneurial self-efficacy (Tatarko & Schmidt, 2013) and could likewise positively affect activities of entrepreneurship (Stephan & Uhlaner, 2010). The study has contributed to academia by examining the effect of social capital on the EI and the result confirms the indirect relationship of social capital onto the EI’s (Liñán & Santos, 2007).

Implications for public policy

This study provides implications to the policymakers of developing economy like Pakistan. The findings affirm the role of curriculum and arouse the need to design it while considering the students demand promoting their entrepreneurial self-efficacy. It will enhance their practical exposure so the incubation centers should be introduced on the campuses. Also, the multiple pieces of training and workshops can interact with students with new ideas and introduce them to the role
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models (BarNir, Watson, & Hutchins, 2011). As it will boost their self-believe and encourages them towards the EIs.

**Limitations and Research directions**

Within the university context, the current study only depends upon social capital whereas there are multiple university context-related factors such as research and development in university, the availability of the incubation centers, entrepreneurial support, etc. so these factors can be studied by the future researchers. Furthermore, this study has examined the mediation effect of entrepreneurial self-efficacy while the future studies may explore the multidimensional constructs (Tsai, Harpaz-Rotem, Pietrzak, & Southwick, 2012) of this model.

**Conclusion**

This study establishes the strong and significant indirect effect of social capital on the EIs via the mediation of entrepreneurial self-efficacy. In addition, the direct effect of social capital on EIs was also positive and significant which showed the partial mediation of self-efficacy between the relationship of social capital and EIs. These results support the past studies of promoting the entrepreneurship (Uygun & Kasimoglu, 2013), social aspects as weak and strong ties (Davidsson & Honig, 2003; Malebana, 2014; Tatarko & Schmidt, 2013) helps to promote the entrepreneurial intent. Thus the social setting which promotes the activities related to entrepreneurial roles is helpful.

**References**


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