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The Role of Social Capital in Entrepreneurial Success in the Digital Economy

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Abstract

This study explores the role of social capital in entrepreneurial success in the context of Indonesia's digital economy. Social capital, encompassing social networks, trust, and norms of reciprocity, has become a critical factor in the rapidly growing digital entrepreneurship ecosystem. Using a mixed methods approach that combines a survey of 150 digital entrepreneurs and in-depth interviews with 15 entrepreneurs, this study investigates how three dimensions of structural, relational, and cognitive social capital contribute to different aspects of entrepreneurial success. The results of the Structural Equation Modeling (SEM) analysis show that the structural dimension of social capital has a strong influence on business growth and innovation, the relational dimension has a significant impact on financial performance and sustainability, while the cognitive dimension contributes to business innovation and sustainability. Qualitative analysis reveals the importance of "authentic digital social capital" that emphasizes the quality of interactions and engagement over the quantity of connections. This study also finds a moderating effect of the type of digital venture and the stage of venture development, underscoring the importance of a contextual approach in social capital development strategies. The theoretical and practical implications of these findings are discussed in the context of developing a sustainable digital entrepreneurship ecosystem.

Keywords: Social Capital, Digital Entrepreneurship, Digital Economy, Entrepreneurial Success, Social Networks, Trust, Innovation, Sustainability

1. Introduction

The development of digital technology has shaped a new landscape in the world of entrepreneurship, creating unprecedented opportunities for entrepreneurs to build and develop their businesses. The digital economy, characterized by high internet and information technology penetration, has changed the way entrepreneurs interact with consumers, suppliers, investors, and other stakeholders [1]. In this context, social capital, which includes social networks, trust, and reciprocity norms, has emerged as an important factor influencing entrepreneurial success in the digital era [2].

Social capital is a non-material asset formed from relationships between individuals and institutions, which can be utilized to obtain various forms of economic and social benefits [3]. In digital entrepreneurship, social capital has a strategic role in facilitating access to information, knowledge, resources, and broader market opportunities [4]. Previous studies have shown that entrepreneurs who have strong social capital tend to be better able to identify business opportunities, obtain support from various parties, and access important resources for business growth [5].

In the era of the digital economy, the characteristics of social capital have undergone significant transformation. Social media platforms, online communities, and various digital communication applications have expanded the dimensions and reach of entrepreneurs' social capital beyond conventional geographical boundaries [6]. This phenomenon creates what is known as "digital social capital", where social networks are formed and maintained virtually, allowing entrepreneurs to build global connections and tap into wider markets [7]. In Indonesia, the growth of the digital economy reaching 11% per year has encouraged many entrepreneurs to utilize digital social capital as a key strategy in developing their businesses [8].

Although there is empirical evidence showing a positive correlation between social capital and entrepreneurial success in the digital era, a comprehensive understanding of the underlying mechanisms and processes is still limited [9]. The dynamics of the interaction between traditional (offline) social capital and digital (online) social capital, and how the two synergize in supporting entrepreneurial success in the digital economy, are still areas of research that need further development [10]. In addition, different socio-cultural contexts can influence how entrepreneurs utilize their social capital, creating variations in strategies and outcomes achieved [11].

This study aims to explore the role of social capital in entrepreneurial success in the context of the digital economy, focusing on the specific mechanisms that link the two concepts. By adopting a multi-dimensional approach to social capital encompassing structural, relational, and cognitive dimensions, this study seeks to provide a deeper understanding of how entrepreneurs leverage their social networks to access information, knowledge, resources, and legitimacy needed to build and develop digital ventures [12]. The theoretical and practical implications of this study are expected to provide significant contributions to the development of effective entrepreneurial strategies in the digital economy era.

2. Analysis of Methods

This study uses a combination of quantitative and qualitative methods (mixed method) to explore the role of social capital in entrepreneurial success in the digital economy. Primary data were collected through a survey of 150 digital entrepreneurs in Indonesia who have been running their businesses for at least two years, focusing on three main sectors: e-commerce, mobile applications, and digital services. The research instrument in the form of a structured questionnaire was developed based on a conceptual framework adapted from Nahapiet and Ghoshal [1], covering three dimensions of social capital: structural (networks and connections), relational (trust and reciprocity), and cognitive (shared vision and values). In addition, entrepreneurial success is measured using multidimensional indicators including financial performance, business growth, innovation, and sustainability. Quantitative data analysis was conducted using Structural Equation Modeling (SEM) to test the causal relationship between social capital dimensions and entrepreneurial success indicators.

To deepen the understanding of the specific mechanisms linking social capital to digital entrepreneurship success, this study also applied qualitative methods through in-depth interviews with 15 digital entrepreneurs selected based on survey results. Semi-structured interviews focused on entrepreneurs' subjective experiences in utilizing online and offline social networks, strategies for building trust in the digital ecosystem, and challenges and opportunities faced in converting social capital into competitive advantages. Qualitative data were analyzed using a thematic approach with the help of NVivo software to identify emerging patterns, themes, and key narratives. Triangulation of data from both methods was conducted to validate the findings and develop a comprehensive conceptual model of the role of social capital in entrepreneurial success in the digital economy.

3. Result

Analysis of data collected from 150 digital entrepreneurs yielded significant findings regarding the role of social capital in business success in the digital economy. The results showed a strong positive correlation between the three dimensions of social capital (structural, relational, and cognitive) with indicators of entrepreneurial success. Structural Equation Modeling (SEM) analysis produced a good fit model (CFI = 0.92, RMSEA = 0.048, SRMR = 0.039), confirming the validity of the proposed conceptual framework.

The structural dimension of social capital, which includes the networks and connections that entrepreneurs have, has a significant effect on venture growth ($\beta = 0.48$, $p < 0.001$) and innovation ($\beta = 0.39$, $p < 0.001$). Entrepreneurs who have extensive and diverse networks, both online and offline, show better ability in identifying market opportunities and gaining access to important resources. Further analysis reveals that connections with specific digital communities such as developer forums, startup groups, or digital industry associations are strong predictors of successful digital product and service innovation. This finding is consistent with Burt's [13] argument about the role of "structural holes" in facilitating the flow of unique and valuable information and knowledge.

The relational dimensions of social capital, particularly trust and reciprocity norms , showed the greatest contribution to financial performance ($\beta = 0.53$, $p < 0.001$) and business sustainability ($\beta = 0.47$, $p < 0.001$). Digital entrepreneurs who successfully build a high reputation and trust on online platforms tend to have higher customer conversion rates and loyalty, which are reflected in stable and sustainable revenue. The results of in-depth interviews revealed that strategies for building trust in the digital ecosystem involve consistency in service quality, transparency of information, and responsiveness to customer feedback. Several respondents emphasized the importance of positive online reviews and testimonials as a form of social capital that can be converted into tangible economic value.

The cognitive dimension of social capital, which includes shared vision and values, has a positive relationship with all indicators of entrepreneurial success, but its effects are strongest on innovation ($\beta = 0.45$, $p < 0.001$) and business sustainability ($\beta = 0.42$, $p < 0.001$). Entrepreneurs who are able to clearly articulate their unique vision and values in their digital communications tend to be more successful in building loyal customer communities and developing strong brand identities. Qualitative data analysis suggests that value alignment between entrepreneurs and the digital ecosystems they serve is a critical factor in building and maintaining long-term social capital.

Another interesting finding is the moderating effect of the type of digital business on the relationship between social capital and entrepreneurial success. For entrepreneurs in the e-commerce sector, the relational dimensions of social capital (trust and reciprocity) have the strongest effect (β = 0.61, $p < 0.001$), while for entrepreneurs in the mobile application and digital service sectors, the structural and cognitive dimensions have a more dominant influence (β = 0.52, $p < 0.001$ and β = 0.49, $p < 0.001$, respectively). This shows the importance of social capital development strategies that are tailored to the specific characteristics of the digital business sector.

Data analysis also revealed differences in patterns of social capital utilization between novice entrepreneurs (2-3 years) and more experienced entrepreneurs (>3 years). Novice entrepreneurs tend to rely more on structural social capital to gain access to resources and legitimacy, while more experienced entrepreneurs are more effective in utilizing the relational and cognitive dimensions of social capital for sustainable venture development. This finding is in line with the concept of the evolution of social capital in the venture life cycle proposed by Nahapiet and Ghoshal [1].

Table 1. Regression Coefficient of Social Capital Dimensions on Entrepreneurial Success Indicators

Dimensions of Social Capital	Financial performance	Business Growth	Innovation	Sustainability
Structural	0.32**	0.48***	0.39***	0.29**
Relational	0.53***	0.37**	0.31**	0.47***
Cognitive	0.29**	0.36**	0.45***	0.42***
R^2	0.46	0.51	0.48	0.43

Based on Table 1, it can be observed that the three dimensions of social capital contribute significantly to all indicators of entrepreneurial success, with the relational dimension having the strongest influence on financial performance (β = 0.53), the structural dimension on business growth (β = 0.48), and the cognitive dimension on innovation (β = 0.45). The R^2 values for all models are in the moderate to high range (0.43-0.51), indicating that overall social capital explains a substantial proportion of variance in entrepreneurial success in the digital economy.

Qualitative data analysis from in-depth interviews provided additional insights into the specific mechanisms linking social capital to entrepreneurial success. Key themes that emerged included: (1) the role of social media platforms in expanding the reach of entrepreneurs' networks; (2) strategies for building trust in a digital environment with minimal face-to-face interaction; (3) the importance of value and identity consistency in digital communications; and (4) the challenges of converting online connections into real collaboration and economic value.

One key finding from the qualitative analysis was the importance of "authentic digital social capital" – that is, social capital built through genuine and ongoing digital interactions, rather than simply the accumulation of formal connections or followers on social media. One respondent who runs a fintech startup stated: "The number of followers on social media is not an accurate measure of true social capital. What matters more is the quality of interactions and the level of engagement of the digital community we build." This view was consistent across successful entrepreneurs, suggesting the need for a more nuanced approach to understanding and measuring social capital in the digital age.

4. Discussion

The results of this study indicate that social capital plays a crucial role in entrepreneurial success in the context of the digital economy, with each dimension making unique contributions to different aspects of business success. The structural dimension of social capital, which includes entrepreneurs' networks and connections, proved to be the most influential on business growth and innovation. This finding supports the argument put forward by Granovetter [14] about the "strength of weak ties," where broad and diverse networks enable entrepreneurs to access new information and knowledge that is not available within their immediate social circles. In the context of the digital economy, social media platforms and online communities have expanded the potential for networking beyond traditional geographic boundaries, enabling entrepreneurs to build global connections at relatively low cost.

The relational dimensions of social capital, especially trust and reciprocity norms , showed the strongest influence on financial performance and business sustainability. This finding underscores the importance of reputation and credibility in an increasingly transparent and connected digital economy. As argued by Putnam [15], trust is a "lubricant" that facilitates economic transactions by reducing verification and negotiation costs. In the context of the digital economy, where transactions often occur without face-to-face interaction, trust becomes an increasingly valuable asset. Effective trust-building strategies, such as information transparency, quality consistency, and responsiveness to customer feedback, become important components in developing relational social capital that can be transformed into competitive advantage.

The cognitive dimension of social capital, which includes shared vision and values, shows a significant contribution to innovation and business sustainability. This is in line with the concept of "organizational identity" proposed by Albert and Whetten [16], where a clear and valuable identity becomes a binding factor in building a community and creating long-term loyalty. In a digital era characterized by an abundance of choices and information, the ability of entrepreneurs to articulate their unique vision and values becomes a crucial differentiating factor. Successful entrepreneurs not only offer products or services, but also narratives and identities that resonate with their target digital communities.

The findings on the moderating effects of digital venture type and venture development stage on the relationship between social capital and entrepreneurial success highlight the importance of a contextual approach in social capital development strategies. Entrepreneurs need to adjust the focus of their social capital development based on the specific characteristics of the business sector and the development stage they are in. This research supports the view that social capital is not a monolithic concept, but rather a multidimensional asset that is dynamic and contextual [17]. The implication is that digital entrepreneurs need to adopt a holistic and adaptive approach in building and leveraging their social capital.

The concept of "authentic digital social capital" that emerged from the qualitative analysis offers a new perspective in understanding social capital in the digital age. The findings challenge the simplistic view that measures digital social capital solely based on quantitative metrics such as the number of followers or online connections. Instead, the quality of interactions, level of engagement, and continuity of relationships emerge as more meaningful indicators of effective digital social capital. This is consistent with Lin's [18] critique of social capital measurements that focus too much on the volume rather than the quality and relevance of social connections. For digital entrepreneurs, the implication is the importance of investing in building authentic and valuable relationships, rather than simply accumulating superficial connections.

While this study highlights the positive role of social capital in entrepreneurial success in the digital economy, it is also important to acknowledge the potential "dark side" of social capital

[19]. Over-reliance on homogeneous social networks can lead to cognitive “lock-in” and inhibit innovation. In addition, overly strong social bonds can create burdens and limit flexibility for entrepreneurs. Future research could further explore the optimal balance between different forms of social capital and strategies to mitigate their potential negative effects.

5. Conclusions

This study explores the role of social capital in entrepreneurial success in the context of the digital economy in Indonesia. The results of the study comprehensively show that the three dimensions of structural, relational, and cognitive social capital have a significant positive influence on various aspects of entrepreneurial success, including financial performance, business growth, innovation, and sustainability. These findings strengthen the theoretical argument that social capital is a strategic asset in the rapidly growing digital entrepreneurship ecosystem.

The structural dimension of social capital, which focuses on networks and connections, proved to be the most influential on venture growth and innovation; the relational dimension, which includes trust and norms of reciprocity, had the strongest impact on financial performance and sustainability; while the cognitive dimension, which includes shared vision and values, contributed significantly to venture innovation and sustainability. The moderating effects of the type of digital venture and the stage of venture development on the relationship between social capital and entrepreneurial success underscore the importance of a contextual approach in social capital development strategies.

The concept of “authentic digital social capital” that emerges from this study offers a new perspective that challenges the simplistic measurement of digital social capital based on quantitative metrics alone. Successful digital entrepreneurs tend to focus on building quality interactions and meaningful engagement, rather than simply accumulating formal connections or followers on social media. This finding has important practical implications for entrepreneurs and policymakers in designing effective digital entrepreneurship ecosystem development strategies.

This study has several limitations that need to be acknowledged, including the focus on the Indonesian context that may limit generalization to other socio-economic contexts, and the cross-sectional design that does not allow for strict causal inference. Future research could adopt a longitudinal approach to investigate the temporal dynamics between social capital and entrepreneurial success, and expand the geographic scope to explore cross-cultural variations. In addition, a deeper exploration of the interactions between social capital and other forms of capital (such as human capital, financial capital, and intellectual capital) could provide a more comprehensive understanding of the factors that drive entrepreneurial success in the digital economy.

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