



# The Influence of Social Capital on Startup Ability of Rural Labor in Nghe An Province, Vietnam

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Received: 15 January 2019; Revised: 26 April 2019; Accepted: 5 May 2019

## Abstract

The research is to identify social capital's factors that have influence on rural labor's startup ability in Nghe An. Researching data is collected from 695 rural labors in Nghe An, Vietnam (chosen from 4 districts represented for geographic regions in researching province). Collected data is audited by Binary Logistic model. Analyzed results show that factors belong to social capital have influence on rural labor's startup ability, such as: home town neighborhood and friends' influence, relationships, collectives, commercial banks, local policies and regulations, information sharing. The research makes clearly the roles of social capital on rural labor's startup ability.

**Keywords:** social capital; startup; rural labor; nghe an province, startup ability

## Introduction

Over the passed few years, entrepreneurship is one field that has been gaining a lot of attention from researchers all around the world, especially in case of factors affecting the individual's entrepreneurial intentions. Lee & his assoc. (2006) argued that entrepreneurial spirit is focused in many countries and is seen as a way to promote economic growth and create more jobs. Sobel & King (2008) argued that startup is the key to add up economic growth, so that it made policy makers to promote young entrepreneurs as one of their top priorities.

Researchs of Chand & Ghorbani (2011), Pruett & Assoc (2009) shown that startup is related to environmental factors, such as "family supports", "entrepreneurial example", "national culture", "social capital", "social factor". Social capital is often known as the overrrall human beings' interrealtions in the same society, including civilized cultural assets (economics, philosophy, ethics, customs, etc.) that built and promoted by the human in a community or society.

## Material and Methods

### Theoretical basic and researching model

Lee & Assoc. (2006) argued that entrepreneurial spirit is focused in many countries and is seen as the way to promote economic growth and create more jobs. Sobel & King (2008) argued that startup is the key to add up economic growth, so that it made policy makers to promote young entrepreneurs as one of their top priorities. Startup intention can be defined as the intent of an individual to start a business (Souitaris and Assoc, 2007); is a process to direct for planning and implementing a business-creation plan (Gupta & Bhawe, 2007). Startup intention of an individual is grew up when they recognize opportunities, utilize available resources and support from the environment to create their own businesses (Kuckertz & Wagner, 2010).

When we focus on the word "capital" in the phrase "social capital," the naming people already think of the economic significance of "capital" concept. Simply, there is an investment in wealth or property, with the goal as "making profit", money or capital that will get more,

thank for the investment, if a capital does not produce more profit, it will be a waste. Social capital creates a social network of interrelation between individuals, and communities and unions.

James Coleman (1994), the social capital created by changes which are capable of promoting action in social relationships' structure. In social networks, human capital lies in the clues and social capital lies in the links and relations between the clues. Social capital is a concept that can be used to quantitatively and qualitatively analyze society's structures, social systems and social networks. Social capital is values of social relationships' elements which the subjects can use as resources to accomplish their certain purposes. The author pointed some social capital's complexions as follows:

- Belief, expectation, responsibility expressed in social relationships and thanks to them, the action is taken.
- Information is developed and receive – transmit in the relationship between one person and another that thanks for it, the action is taken.
- Effective norms through which thanks for it the action is taken. Under the form of social norms, social capital can encourage or inhibit action. For example, "modest standards" can make people less open to others.
- Power and prestige are the form of social capital: when we transfer the right as controlling action to a certain person, that

means we have created social capital for that person.

The Vietnam Development Report (2000) is a qualitative research with case analysis and in-depth interviews methods, found that poor households not only lack financial capital, physical capital and natural capital but also lack both human capital and social capital. The poor use a variety of strategies to deal with their poverty, including such strategies can undermine sustainable development such as forcing the children to be off school. Thus, the poverty deduction programs should focus on supporting the poor in terms of both credit and, in particular, human capital (for example vocational training) and social capital (for example, organizing savings groups and clubs) so that the poor can exploit, develop and convert these funds to improve their livelihood.

In the context of the underdeveloped credit market, family businesses mainly rely on social capital from family, relatives and friends networks to mobilize economic capital. Social capital in the form of responsibility, trust among family members, and familiar relationships with individuals who work in local government agencies can help reduce economic transactions costs and increase their ability to mobilize labor as necessary. The current urbanization process tends to break down the traditional social networks' structures and force farmers to engage in new social relations outside the village to find information, find jobs and raise more professional qualification in a suitable manner. Social capital is already available in family, relatives and friends relation-

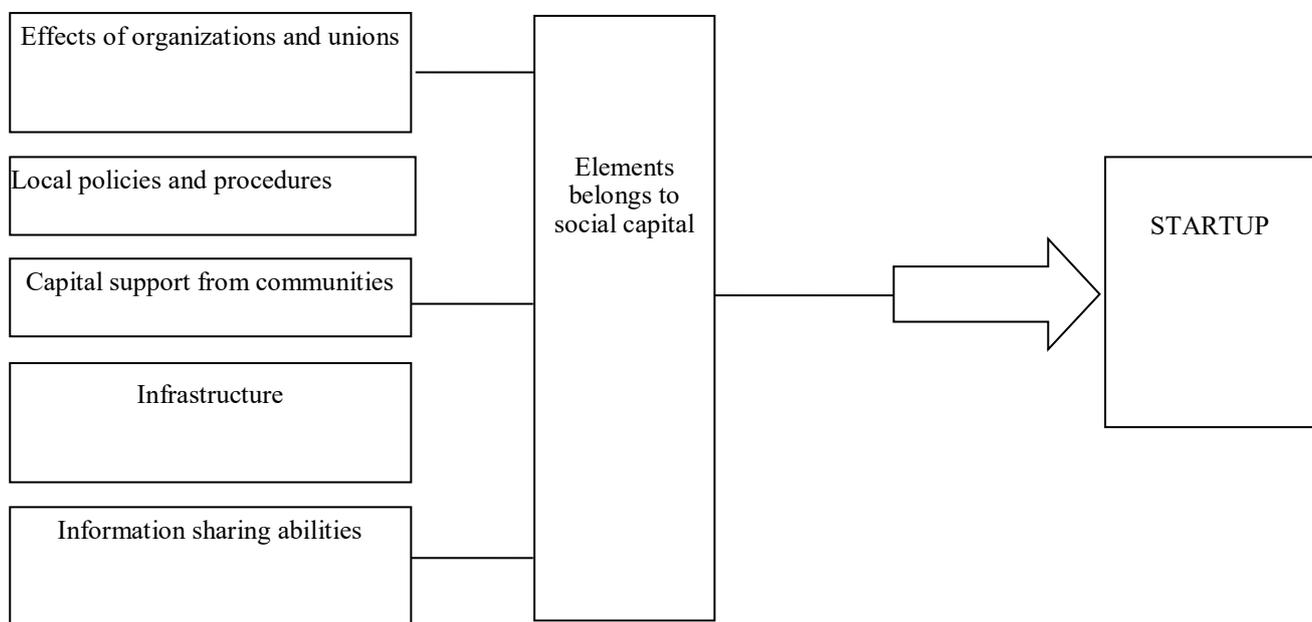


Figure 1. Framework for analyzing the social capital's impact on rural labor's startup ability

ships and social organizations in the rural areas which is likely to reduce transaction costs by creating new social networks to find appropriate means of subsistence. When natural capital such as land is narrowed because of urbanization process, farmers tend to seek suitable way to invest and exploit social capital and human capital, including "knowledge of science, technology and producing technic, professional skills".

This research was conducted in order to determine the role of social capital affect on rural labor's startup abilities, providing more empirical evidence based on surveys in Nghe An province, Vietnam. The research's results contribute to provide suggestions to orient the policy related to the development of social capital for rural startup progress; analyze the characteristics of social capital's elements affecting the community's development as well as point out the social capital's impact on rural labor's startup progress as the research's targets. Based on analyzing the theoretical and the study review, the authors proposes an analytical framework as shown in Figure 1.

### Sampling Method

This research used data from the primary survey in Nghe An province, Vietnam. The author conducted a survey on rural labors in the provinces, the survey was conducted in May 2018. Collected questionnaires distributed to rural labors belonging to households. Quantitative information was collected through the survey with pre-designed questionnaires. The re-

search was conducted the rural labor survey in suburban districts, in May 2018.

The survey on rural labors belonging to households: Survey form: selected 4 suburban districts as Yen Thanh, Quynh Luu, Thanh Chuong, and Que Phong of Nghe An province, representing 4 geographical regions (the delta, coastal, low mountain, high mountain). In each suburban district, choose 2 communes to conduct households surveying (the respondents were householders).

The surveying unit in the research was identified as "rural labor" belonging to household. There are two types of researching objects identified in the sample (rural labors have started their own businesses, rural labors do not start their own businesses). The goal is to collect data that is large enough for the statistically results. The research has divided Nghe An's administrative into 4 geography level, each of which selects one suburban district and each district chooses 2 communes. The surveyed communes are typical representatives of the researching region.

### Analyzing method

The questionnaires obtained during the survey were checked for accuracy and logic before inputting. The questionnaires's information was entered into the Excel file, then all data was cleaned based on the checking questionnaire or identifying questionnaire that were pre-designed in the questionnaire. Finally, the data was transferred to SPSS format files for performing statistical analysis. Research used descriptive statistics

Table 1: Distribution of surveying sample about rural labors

No.	surveying suburban district	No. Of commune/ sample	surveying commune	Expecting rural labor surveyed		Collected sample	
				Startup	Non – Start up	Start – up	Non – Start up
1	Yen Thanh	2 commune/ 200	Cong Thanh	50	50	30	50
			Do Thanh	50	50	32	50
2	Quynh Luu	2 commune/ 200	Quynh Lam	50	50	28	50
			Quynh Van	50	50	34	50
3	Thanh Chuong	2 commune/ 200	Dong Van	50	50	32	55
			Hanh Lam	50	50	32	55
4	Que Phong	2 commune/ 200	Tien Phong	50	50	35	54
			Tri Le	50	50	35	53
				<b>400</b>	<b>400</b>	<b>268</b>	<b>427</b>
<b>Total of sample</b>				<b>800</b>		<b>695</b>	

method, comparative analysis method (cross-tabulation), ANOVA variance analysis, logistic correlative regression analysis, analysis of some typical cases by qualitative techniques.

Research used regression model to evaluate the effect of independent variables on dependent variable (startup). The author used multivariate analysis techniques, especially binary correlative regression analysis techniques to measure the impact of social capital on the startup ability of rural labors. According to the model, the dependent variable is "startup". The dependent variable has two values (Non - startup: 0; Startup: 1). Thus, the author uses the binary logistics regression using binary dependent variables to estimate the probability that an event will occur with the independent variable's information that obtained. From this binary dependent variable, a procedure is used to predict the probability of an event occurred according to the rule that if the predicted probability is greater than 0.5 then the expected result is given as "Startup", vice versa, the predicted results will be "Non-startup".

The author performed multivariate analy-

sis using a binary logistic regression model using SPSS software to attempt to clarify the correlation and to assess the impact of factors on the rural labor's startup abilities. countryside. Used SPSS technic binary logistic regression analysis Forward LR (Order: Analyze - Regression - Binarylogistic - Method (Forward LR)).

In the binary logistic regression model, dependent variable is startup, independent variables are all variables belonging to three groups of factors that affect to startup ability. About independent variables, the binary logistic regression SPSS software allowed to use all types of variables: continuous, identifier or binary. Research used SPSS software for analyzing binary regression Forward LR (Order: Analyze - Regression - Binarylogistic - Method (Forward LR)).

By calculating probabilities in typical cases, the probability of Nghe An rural labor's startup abilities vary from the change of above coefficients which belong to regression function with the influence of 8 basic variables. Based on the regression analysis, some conclusions were drawn:

1. When rural labors assess their neighbor's magnitude higher then rural labor's startup

Table 2: Independent variables in binary logistic regression (Binary Logistic) Social capital elements affect to start – up ability

No.	Independent variable	Variabe code	Measure
1	Neighbor's effect	<i>Ahhx</i>	Level
2	Outside the commune's friends effect	<i>Ahbanbengoaixa</i>	Level
3	Relative capital	<i>Vonhohang</i>	identifier
4	Inside the commune's friend capital	<i>Vonbanbetrongxa</i>	identifier
5	Farmer union's effect	<i>Ahhoionongdan</i>	Level
6	Co-operative's effect	<i>ahhoptacxa</i>	Level
7	Women union's effect	<i>Ahhoiphunu</i>	Level
9	Youth union's effect	<i>Ahdoanthanhvien</i>	Level
10	Veteran union's effect	<i>Ahhoicuuchienbinh</i>	Level
11	Credit capital	<i>Vonquytindung</i>	identifier
12	Co-operative capital	<i>Vonhoptacxa</i>	identifier
13	Commercial bank capital	<i>Vonnganhangtm</i>	identifier
14	Bank for social policies capital	<i>Vonnganhangcs</i>	identifier
15	Policies	<i>Cohecs</i>	Level
16	Infrastructure development	<i>Phattriencsht</i>	Level
17	Administrative procedure	<i>Thutuchc</i>	Level
18	Information sharing	<i>chiasett</i>	Level

abilities higher. Neighbors have a great impact on the start up ability of rural labors.

2. Rural labors have the support of friends outside the commune (the importance of friends outside the commune is highly appreciated), the start - up ability raised. The role of friends outside the commune has a positive impact on the start – up ability of the rural labors.
3. Rural labors who can borrow capital from their relatives that have 2.127 times more to be able to start – up than those who do not get loans from their relatives. This shows that the role of relatives, family linkages in rural areas has a great impact on the start – up ability.
4. Rural labors who can borrow capital from friends in the commune are likely to be able to start their businesses more 4.656 times than those who can not borrow from their friends in the commune. Recognizing the friends in the commune’s support is the motivation for rural labor to start up.
5. Rural labors who can borrow from commercial banks are capable to start - up 2,459 times more than those who can not get loans from commercial banks. It can be said that capital from commercial banks is the motivation for rural labor to start a business.
6. Assessing the mechanisms and policies that support the startup process, startup rural labors argued that policy support is less influent. It can be said that the policy mechanism is a barrier to startup of rural labors.
7. Rural labors are shared information that are capable to start - up 4,523 times more than non-sharing information ones. The role of information for start – up activity is highly valued. In the community group, it is necessary to increase the ability of information sharing to rural labors.
8. Rural labors who can borrow capital from co-operatives, are capable of starting a business 5,194 times more than those who can not borrow from co-operatives. Participation in a co-operative can be a motivation for rural labor to start - up.

## Results and discussion

This research investigated the impact of social capital on the startup ability of rural labors in Nghe An province, Vietnam. Using the

survey sample (695) in four suburban districts of Nghe An province and applying suitable logistic regression model (Binary Logistic) is revealed some basic problems affecting rural labors’s self-employment. In summary, based on the results of the analysis, it is possible to see the factors of neighbors, friends in the commune, friends outside the commune, relatives, credit support from commercial banks and co-operatives, the ability of sharing information, mechanisms and policies are the variables that greatly affect startup ability of Nghe An rural labors to increase their ability to start their own businesses. Under the analyzing condition of sample survey results, the role of policy reduces the startup abilities of Nghe An's rural labors.

First, improve the operating capacity of organizations and unions - enhance the ability to share startup information. The research results shown that most of rural labors have first step to start their businesses, develop their production and business, based on self-accumulated experiences, spontaneous developed in small scale and had no specific, long term investment plans, so they have to suffer a great damage if the risks occur. In the start – up process, rural labors are also entitled to support capital, but the loans are not long-term and enough for rural labors’ needs, for many individuals there are very difficult to access this capital. The products - consumption ability is also difficult. Therefore, the support of organizations and unions and all political system of rural labors is needed. In fact, the activities of the organizations and unions are not regular due to limited operating budget, the mobilization of members to contribute is not the perfect solution. The immediate solution is to associate the activities of the organizations and unions into commune, village and village authorities’ activities.

Strengthening the role of career associations and trade village associations. Career associations and rural social organizations not only participate actively in the local capacity building process, but also play a decisive role in the success with two important priorities. First of all, these units have people and networks that cover from the whole to the smallest units of rural communities such as hamlets and villages. The second advantage, as a consequence, is understanding and mastering the situation. Depending on the actual conditions, each agricultural expansion staffs, women's union, farmer's association, youth union, veteran union... can become a consultant for business households and businesses in local areas.

Training the capacity of the key staff, this is the most effective propagator for the guidelines and laws from the State to rural labors. For rural labors, their characteristics are to do their daily life activities with the community in divided administrative units such as groups, hamlets, and villages... This is the closest social community to them. Improving the capacity of the staff must pay attention to the key staff of local associations and unions.

Strengthening communication activities to change the perception of communities and rural labors themselves about the role of startup. Unappropriately appreciating the ability to start up, the psychology of preferring stability and the fear of change is one of the first barriers to rural labors. Therefore, it is necessary to change awareness through synchronous communication programs, especially to promote the role of vocational orientation for rural labor in the household.

Communities can play an important role in promoting opportunities for rural labors to start their businesses through local government, community organizations, clubs, NGOs, or religious authorities. Mobilizing young rural labor to implement local socio-economic development strategies plays a very important role because they are a part of the community and a powerful resource that can bring many benefits to the community.

Second, diversificating financial services to enhance accessment of startup captital. Regression analysis has suggested that rural labors can borrow capital from commercial banks, and the capital of co-operatives that have much higher startup abilities than those who can not access these sources.

It is necessary to construct appropriate credit policies, diversify credit channels so that rural women labors have the opportunity to access the capital. Implementation of credit policies should be linked to other policies that support poverty reduction, to create comprehensive solutions. Providing the credit should be closely linked to agricultural training and infrastructure development, so that rural labors can use the funds most effective ways. At the same time, it is necessary to consider to facilitate rural labor to access various credit channels and financial programs. Employment of rural female labors often needs to be credited under small loan packages, with as simple procedure requirements as possible. The most important issue is that the loans arrive at the right time and the

policies that promote the effectiveness of those microcredit packages.

1. To diversify rural financial institutions, multi-utility oriented to economic development demands. Continuing to improve effectiveness of traditionally financial service quality as well as fast accessing to modern banking and financial services.
2. To encourage transparent competition in the markets for rural finance. Competition in the rural finance sector will help the region to get advance, to create a precondition for the regional development.
1. To encourage the participation of other financial institutions in the rural financial market, providing additional suppliment to meet the gaps between supply and demand in financial services. To create conditions for rural labors to have the closest access to capital to start a business.

Third, increase the investment in infrastructure for rural areas. Nghe An should have policies to attract investment in rural areas, the Provincial People's Committee should strengthen the investment in technical infrastructure for rural areas. To invest in supporting and encouraging enterprises and individuals to develop producing and processing and consuming products of rural areas, it is needed to invest technical infrastructure to develop trade villages, handicraft industry to create more local jobs, increase income for farmers.

Increasing investment in trade and product promotion to support enterprises and households to consume products: Nghe An local authorities need to provide specific solutions to enhance and improve the effectiveness of commercial promotion, expend producing co-operation with the domestic and abroad provinces. To continuously invest in upgrading wholesale markets system for agricultural products and foodstuffs; to invest in building trade centers and introducing goods and high-quality products of trade villages; to assist farmers in building trademarks; to support the products consumption.

It is need to implement the policies to develop rural infrastructure. Increasing investment in socio-economic infrastructure for rural areas is important to stimulate investment of enterprises in this area. If this is not the case, there are still very few businesses in the countryside and continue to "regress" compared to other regions. This will be a great obstacle for the implementation industrialization and modernization strategy in agriculture and rural areas of Nghe An.

## Conclusion

This research investigated the impact of social capital on the startup ability of rural labors in Nghe An province, Vietnam. Using the survey sample (695) in four suburban districts of Nghe An province and applying suitable logistic regression model (Binary Logistic) is revealed some basic problems affecting rural labors's self-employment. In summary, based on the results of the analysis, it is possible to see the factors of neighbors, friends in the commune, friends outside the commune, relatives, credit support from commercial banks and cooperatives, the ability of sharing information, mechanisms and policies are the variables that greatly affect startup ability of Nghe An rural labors to increase their ability to start their own businesses. Under the analyzing condition of sample survey results, the role of policy reduces the startup abilities of Nghe An's rural labors.

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