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MORALITY BEFORE KNOWLEDGE

The relationship between social capital and entrepreneurship in Indonesia

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ABSTRACT

Background: Entrepreneurship encompasses a range of components, including passion, attitude, and behavior, which serve as manifestations of calculated risk-taking courage motivated by an individual's personal determination and capabilities. Individuals exhibiting such a disposition are frequently recognized as self-employed individuals or entrepreneurs. Entrepreneurs, by leveraging their ability to recognize commercial opportunities and mobilize resources, play a vital role in fostering economic growth and innovation. **Methods:** The method used in this study is binary logistic regression involving data from Indonesia Family Life Survey (IFLS) 2014 fifth wave. The study identified three dimentions of social capital that included trust, participation, and cooperativeness. **Findings:** This is particularly evident in developing economies, where entrepreneurship serves as a key driver of employment and industry expansion. For example, in Indonesia, where Micro, Small, and Medium Enterprises (MSMEs) and self-employed individuals account for a large portion of the economy, the entrepreneurial spirit fuels job creation, enhances productivity, and stimulates market competition. As of recent data, MSMEs contribute to more than 60% of Indonesia's Gross Domestic Product (GDP) and nearly 97% of its total employment. This study aims to analyze the relationship between social capital and entrepreneruship in Indonesia. **Conclusion:** The result showed that participation dimension of social capital significantly positively associated with entrepreneurship. The result also showed that trust dimension of social capital signicantly negatively associated with entrepreneruship. Additionally, all control variables, including age, gender, marital status, and economic conditions, showed statistically significant relationships with entrepreneurship. Older individuals, women, married individuals, and those with extroverted personalities are more likely to engage in entrepreneurship. Conversely, those living in urban areas and regions with higher gross domestic regional product (GDRP) are less inclined towards entrepreneurial activities, possibly due to alternative employment opportunities. **Novelty/Originality of this article:** These results underscore the complex role of social capital in entrepreneurship and highlight the importance of policy measures that foster social capital to support entrepreneurial activity in Indonesia.

KEYWORDS: binary logistic regression; entrepreneurship; social capital; Indonesia Family Life Survey (IFLS).

1. Introduction

Entrepreneurship is a concept that holds familiarity to individuals in their everyday experiences. According to Acsc & Szerb (2009), the term "entrepreneur" was first utilized by Cantillon in 1775. Following this, a multitude of scholars from diverse academic fields have acknowledged the importance of entrepreneurship within the domain of business research (Agung & Firmansyah, 2022; Aikaeli & Mkenda, 2015). Entrepreneurship

encompasses the deliberate and organized process of conceiving, initiating, and overseeing the activities of a new business endeavor, often distinguished by its limited size in its early phases (Aldrich & Kim, 2007; Ucbasaran et al., 2008). Entrepreneurs are typically identified as the individuals responsible for establishing these enterprises (Audretsch, 2003; Beggs et al., 1996). Entrepreneurship encompasses a range of components, including passion, attitude, and behavior, which serve as manifestations of calculated risk-taking courage motivated by an individual's personal determination and capabilities (Block et al., 2017; Utomo et al., 2022). Individuals exhibiting such a disposition are frequently recognized as self-employed individuals or entrepreneurs (Bogliacino et al., 2025; Bogush, 2025).

According to Bonte et al (2009), the entrepreneur possesses the ability to identify the commercial prospects of an invention and effectively mobilize the necessary financial, human, and material resources to transform the invention into a commercially feasible innovation. This is particularly evident in developing economies, where entrepreneurship serves as a key driver of employment and industry expansion (Bourdieu, 2008; Bridge et al., 1998). For example, in Indonesia, where Micro, Small, and Medium Enterprises (MSMEs) and self-employed individuals account for a large portion of the economy, the entrepreneurial spirit fuels job creation, enhances productivity, and stimulates market competition (Brown & Schafft, 2019; Van et al., 2008). As of recent data, MSMEs contribute to more than 60% of Indonesia's Gross Domestic Product (GDP) and nearly 97% of its total employment (Bruderl & Preisendorfer, 1998; Burt, 1992). These small businesses and self-starters are key drivers of local development because they create job opportunities for many, especially in underserved areas (Cao & Rammohan, 2016; Welter, 2012). Additionally, entrepreneurship encourages innovation by introducing new ideas, products, and services that can solve local problems and meet specific community needs (Cassar, 2007; Chang et al., 2022). This, in turn, strengthens the social fabric and improves living standards, particularly in regions that rely heavily on MSMEs and self-employment for their economic stability (Central Bureau of Statistics, 2022).

Table 1. Indonesia primary job status 2020-2022

Primary Job Status	Employed Population by Main Employment Status (Percent)		
	2020	2021	2022
Self-Employed	19.87	23.18	30.47
Self-Employed Assisted by unpaid/temporary workers	21.84	18.99	18.64
Self-Employed Assisted by paid workers	3.34	2.35	1.83
Laborer/Employee/Staff	19.89	23.97	22.57
Freelance worker in agriculture	6.69	5.52	3.99
Freelance worker in non-agriculture	3.59	6.22	3.63
Unpaid family worker	24.79	19.77	18.86
Total	100	100	100

(BPS, 2023)

The data in Table 1 highlights a significant shift in Indonesia's employment structure from 2020 to 2022, emphasizing the growing role of self-employment. The proportion of self-employed individuals increased notably, rising from 19.87% in 2020 to 30.47% in 2022, indicating greater reliance on entrepreneurship. The evolving labor structure reflects the broader context of development, highlighting its complexity and the necessity for changes to national institutions, behaviors, and social structures (Chen & Hu, 2019; Chisanza et al., 2024). The rise in self-employment and shifts in informal work arrangements demonstrate that economic growth alone is insufficient for true progress, as it does not always translate into widespread benefits (Chiosta et al., 2012; Westlund, 2009). Instead, development must be understood as an improvement in quality of life, incorporating both economic and social factors (Coleman, 1988; Conroy & Deller, 2020). If growth leads to more people relying on self-employment or informal jobs, it suggests that the benefits are not being distributed equally, reinforcing the need to strengthen social systems, job quality, and institutional frameworks. As Devianto et al. (2021) argues, when

development is viewed as an enhancement of overall well-being rather than just an increase in per capita income, cultural values become both the "means" and the "ends" of progress.

A key component of this framework is social capital, which includes the networks, relationships, and norms that facilitate collective action (Devkota et al., 2022; Dewantoro & Ellitan, 2021). Like a tree that grows taller but fails to bear healthy fruit, economic expansion without corresponding improvements in social systems and institutional support does not provide the nourishment needed for meaningful development (Doh & Zolnik, 2011; Xie et al., 2021). Social capital plays a critical role in this process, serving as a valuable resource for communities and individuals by providing information, support, and opportunities that enhance quality of life and contribute to sustainable economic progress (Douglas & Shepherd, 2022; Ekelund & Kirzner, 1974). In contexts where formal institutions may be less accessible or effective, entrepreneurial success often hinges on the ability to mobilize resources, gain insights, and secure support through social networks—demonstrating the indispensable role of social capital in fostering inclusive and sustainable development (Ernawati et al., 2022; Eyeson-Annan, 2003). Social capital plays vital role in entrepreneurship by helping people share knowledge across different fields like research, education, and business innovation (Fairlie, 2005; Yetisen et al., 2015; Zelekha, 2024). It keeps entrepreneurs connected to market trends, new technologies, and emerging opportunities—things that are crucial for staying creative and competitive (Foss et al., 2007; Frederick et al., 2020).

Despite its importance, social capital is tricky to define and measure because it includes so many elements, like trust, shared norms, and relationships (Gartner, 1985; Granovetter, 1973). Researchers have tried to break it down into different levels to better understand its impact on entrepreneurship (Grootaert & Van-Bastelaer, 2002; Guiso et al., 2004). Gujarati (2010) outline three key areas: (1) personal relationships, which offer mentorship and essential resources; (2) team collaborations, which spark innovation through collective problem-solving; and (3) broader community networks, which help new businesses gain credibility and access markets. Social capital plays a role in shaping entrepreneurial behavior by providing access to resources, mentorship, and opportunities that might otherwise be unavailable. Emphasizes that entrepreneurship is not solely determined by individual skills but is also heavily influenced by the strength of an individual's social ties (Gustina et al., 2020; Hidayati & Dartanto, 2020. Entrepreneurs rely on their networks—including clients, collaborators, and broader community connections—to identify opportunities, mitigate risks, and access critical knowledge (Hisrich & Peters, 2005; Honig & Davidsson, 2000). This study is particularly relevant in the context of Indonesia's evolving labor structure, where reliance on micro, small, and medium enterprises (MSMEs) and informal businesses plays a significant role in the economy. Research suggests that individuals embedded in strong entrepreneurial networks are more likely to pursue and sustain ventures, benefiting from mentorship, collaboration, and resource-sharing (Iversen et al., 2008; Jayachandran, 2021). This study will investigate how social capital foster entrepreneurship, particularly in contexts where formal institutions may be less accessible, ultimately contributing to a deeper understanding of its role in fostering sustainable economic development. The objective of this research: Identify the influence of individual social capital on the tendency to engage in entrepreneurship, considering demographic, social, and economic backgrounds? To examine the impact of individual social capital on entrepreneurship while controlling for demographic, social, and economic factors, as well as exploring other contributing factors beyond social capital?

2. Methods

The dataset utilized in this research is derived from the Indonesian Family Life Survey (IFLS) dataset. The Indonesia Family Life Survey (IFLS) is a comprehensive longitudinal study that is administered by RAND Corporation. The data samples obtained from the Indonesian Family Life Survey (IFLS). The survey encompasses a comprehensive range of data pertaining to several domains such as economy, health, education, culture, and

behavior, among others. The IFLS dataset encompasses a wide range of data pertaining to people, homes, families, and communities. In this research, data from the Indonesian Family Life Survey, namely the fifth wave (IFLS5), which was obtained by Household Survey methodology. The IFLS5, which took place from 2014 to 2015,

2.1 Scope of research

In this research, the primary unit of analysis will be working individuals aged 15 to 80 with reported income. This age range has been selected to examine the impact of capital levels and their correlation with entrepreneurship throughout different stages of life. Regarding the outcome variable, self-employment has long been utilized as a proxy in the literature (Jumirah & Wahyuni, 2018; Kamanyire et al., 2024). This choice is based on its proximity to the definition provided by Kharisma (2022), which describes individuals as uncertainty bearers or those who identify profitable business opportunities. The dataset originally included 50.158 individuals. After merging the data and removing those with zero reported income, as well as those with missing information, this research ended up with a total of 14,776 individuals. This includes 9,030 non-entrepreneurs and 5,746 entrepreneurs. This careful selection ensures that the analysis focuses on meaningful economic activities, providing clear insights into the differences between non-entrepreneurs and entrepreneurs.
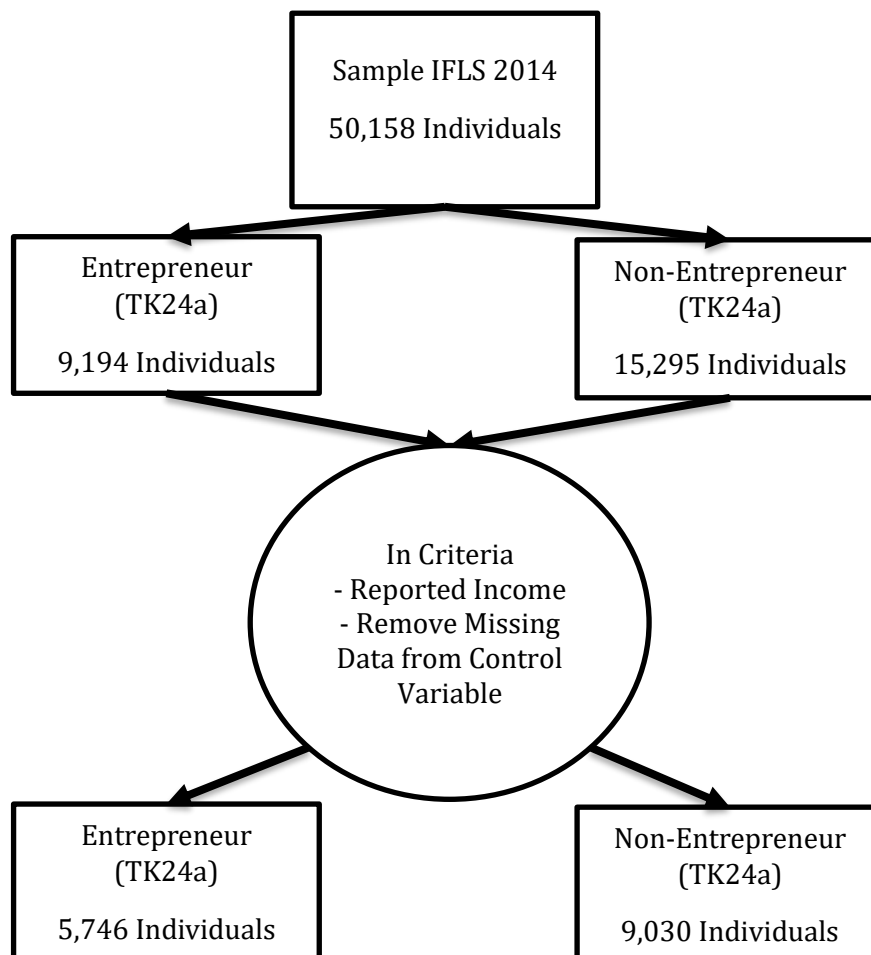

Fig 1. Sampling scheme

2.3 Variables

2.3.1 Dependent variable

Self-employment is a proxy for entrepreneurship because it is aligned with the entrepreneurship theories of Knack & Keefer (1997) which suggest that entrepreneurs are uncertainty bearers or profit and business opportunity finders. Entrepreneurship is represented by the respondents' answer to the question about their primary job on TK24a: 'Which category best describes the work that you do?' The possible answers to this question are: 1) Self-employed, 2) Self-employed with unpaid family worker/temporary worker, 3) Self-employed with permanent worker, 4) Government worker, 5) Private worker, 6) Casual worker in agriculture, 7) Casual worker not in agriculture, and 8) Unpaid family worker. By utilizing Stata, binary variable is assigned based on the respondent's answers of TK24a. If the response falls within categories 1 to 3, indicating self-employment, the dummy variable is given a value of 1. If the response falls outside of these categories, the value is assigned as 0. Additionally, individuals who are working but have no reported earnings, as indicated in AR15b, are omitted from the analysis.
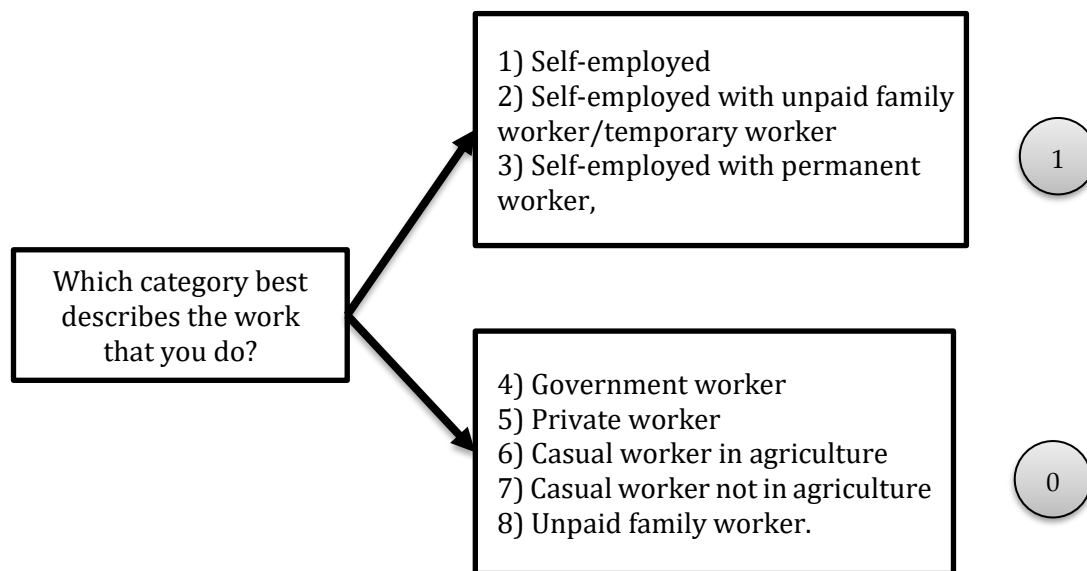

Fig 2. Entrepreneurship variable
(IFLS 5, processed by Author)

2.3.2 Independent variable

The independent are a variable that are believed to have an influence or changes to dependent variable. The independent variable that would be the interest for this study is social capital. Social capital: social capital can be defined as the networks, relationships, and shared norms that enable individuals to work collectively and access resources within a community, Levesque & Minniti (2006) recommend three types of indicators to measure social capital at micro level. Li & Zahra (2012) and Lubis et al. (2022) apply Grootaert and Bastelaer method on creating a comprehensive social capital index for IFLS data by utilizing these set of variables.

$$Social\ Capital\ Index: \frac{(score\ observed - lowest\ scoring)}{(highest\ score - lowest\ scoring)} \times 1 \qquad \text{(Eq. 1)}$$

For example, to measure cooperative behavior, a score is assigned on a scale from 1 to 5. Suppose an individual has a score of 3. Using the social capital index formula:

$$Trust : \frac{(3-1)}{(5-1)} \times 100 = 50 \qquad \text{(Eq. 2)}$$

This means the individual's cooperative behavior index is 50. These indices will be applied to trust and cooperative variables in this study. Trust: Madriz et al. (2018) utilized this set list of trust questions in order to measure the trust index. In general, the trust section of creating social capital index is measured by asking questions regarding the level of trust the individual have on their community and their attitude towards different ethnicity and religion on a scale of 1 to 4.

Table 2. List of trust question

Code	Question
TR02	In this village, I have to be alert or someone is likely to take advantage of me
TR03	Feelings toward people of other ethnic
TR05	I would be willing to ask my neighbors to look after their house if I leave for a few days?
TR06	How safely the respondent considers the village.
TR07	In most parts of the village, is it safe for you to walk alone at night?
TR23	Taking into account the diversity of religions in the village, I trust people with the same religion as mine more.
TR24	How do you feel if someone with a different faith from you lives in your village?
TR25	How do you feel if someone with a different faith from you lives in your neighborhood?
TR26	How do you feel if someone with a different faith from you rents a room from you?

(Jumirah & Wahyuni, 2018; IFLS, 2014)

For codes of TR02, TR03, and TR24 – TR26 indicated the scale of 1 - 4 already on a positive relationship meaning that the higher the score the higher the trust level on their community. Meanwhile for TR05 and TR 23 the higher the scale means that the individual has a lower sense of trust for their community. Cooperativeness: the cooperative variable is obtained from the question of "I am willing to help people in this village if they need it" and its original responses which are 1 (strongly agree), 2 (agree), 3 (disagree), 4 (strongly disagree). Furthermore, to accommodate the calculation index of social capital, the answer to this question will be indexed in reverse thus "strongly agree" will be coded as 4 while "strongly disagree" will be coded as 1. Social network variable: the social network variable is obtained by number of questions "During the last 12 months did you participate in or use (community activities)?". Again, to accommodate the calculation of the index the answer "yes" will be coded as one and the answer "no" will be coded 0, as opposed to the original coding which was the opposite.

Table 3. List of programs or community activities

Code	Name of the Community Activities
PM16 A	Community Meeting
PM16 B	Cooperatives
PM16 C	Voluntary Labor
PM16 D	Program to Improve the Village/Neighborhood
PM16 N	Youth Groups Activity
PM16 O	Religious Activities
PM16 P	Village Library
PM16 Q	Village Savings and Loans
PM16 R	Health Fund (Dana Sehat)
PM16 R1	PNPM
PM16 R2	Political Party
PM16 E	Neighborhood Security Organization (Siskamling)

PM16 F1		Water for Drinking System/Supply
PM16 H		System for garbage disposal
PM16 I		Women's Association Activities (PKK)
PM16 J		Community Weighing Post (Posyandu)
PM16 J1		Community Weighing Post Lansia (Posyandu Lansia)
	(IFLS 5)	

2.3.3 Control variable

Based on the literature review, the control variable represents the variables that could influence entrepreneurship besides the individual social capital. individual characteristics such as age, extraversion score, marital status, gender, education, and household size, as well as economic characteristics like area of residence (urban/rural), parent entrepreneurial status, household expenditure and Gross Domestic Regional Product (GDRP). All the variable controls measured are from IFLS 5 data besides GDRP, which is taken from Central Bureau of Statistics/*Badan Pusat Statistik* (BPS).

Table 4. Control variable identity

Control Variable				
Variable	Definitions	Category	Code IFLS	Reference
Gender	Sex of the respondents	1 = Male 0 = Female	AR07	Nikou et al. (2019), Doh & Zolnik (2011)
Age	Age of the respondent	15–24: Young Adults 25–34: Early Career Professionals 35–44: Established Career Stage 45–64: Peak Professional and Pre-Retirement Years 65–80: Seniors	AR09	Doh & Zolnik (2011), Poon et al. (2012)
Marital Status	Marital status of respondent	2 = Married 1 = Ever Married 0 = Not-married	AR13	Rønning (2011)
Education	Highest level of education attended and graduated	0 = No School 1 = Elementary 2 = Junior High 3 = Senior High 4 = University	AR16, AR17	Doh & Zolnik (2011) and Poon, Thai, & Naybor (2012)
Extraversion Score	Is talkative. Outgoing, sociable. Is reserved (Reversed)	The total of the questions asked (1-5)	PSN01	Lubis, Astrini, & Rokhim (2022), Ernawati, Sinambela, & Cici (2022)
Hhsize	Number of household member	(Numeric)	Pid14 and HHID from Book K-9	Raevskaya & Tatarko (2022)
Urban/Rural	Type of area	1 = Urban 0 = Rural	SC05	Conroy & Deller (2020)
Parents' Entrepreneur	Father/mother status of entrepreneurship	1 = Entrepreneur Parent 0 = Non-entrepreneur parents	BA12, TK24a	Chlosta et al. (2012), Aldrich & Kim (2007)
Household Expenditure	Total household expenditure	(In Rupiah) Logarithmic scale	Generated from KS02, KS06, KS08	Senapati & Ojha (2019)

GDRP	GDRP values calculated at constant market prices at Region/City Level	(In Billions of Rupiah) Transform to Logarithmic scale	SC01, SC02, BPS Data	Doh & Zolnik (2011), Murphy, Tuszynski, & Jackson (2020)

<div align="center">(IFLS 5 and BPS Data)</div>

The extraversion scores were derived from the Indonesian Family Life Survey (IFLS), specifically from the psn section of the dataset. In their research, Mahfud et al. (2020) selected three key questions to measure the extraversion component of the Big Five personality traits. These questions include: Is talkative; Outgoing, sociable; Is reserved (Reversed). This is then utilized in this research to measure the extraversion score of the respondents. Household expenditure is calculated by adding total food and non-food expenditures from the consumption section (KS02, KS06, and KS08) of IFLS 5. However, not all households have reported their expenditures, and there are some missing data in these sections.

2.4 Research method

The binomial logistic regression model is utilized in this study to investigate the factors that influence the probability of an individual being self-employed. The dependent variable, self-employment status, is binary, coded as 1 if the individual is self-employed and 0 otherwise. According to Maming et al. (2023), logistic regression is particularly effective for examining relationships between a binary outcome and a set of independent variables that can be nominal, ordinal, interval, or ratio in scale. The model's nonlinear nature provides a sophisticated understanding of how these independent variables affect the dependent variable and has been used by previous study by Mawardi & Sujarwato (2021). The Logit model is employed due to the binary response (dichotomous) of the dependent variable under investigation. If the individuals are recorded as self-employed, the entrepreneurship variable Y will have a value of 1 (Y=1). Conversely, if the individual is not self-employed, Y will be valued at zero (Y=0).

$$P\big(Y_i = 1 \big| X_{1i}, \ldots, X_{ji}\big) = \frac{1}{1 + \exp\left(-\beta_0 - \beta_1(SCI_i) - , \ldots - \beta_j X_{ji}\right)} \quad \text{(Eq. 3)}$$

$$\ln\left[\frac{P_i}{1 - P_i}\right] = \beta_0 + \beta_1(SCI) + \sum_{j=2}^{n} \beta_j X_{ji} + \varepsilon_i$$

<div align="right">(Eq. 4)</div>

This equation represents the relationship between an individual's social capital (〚SCI 〛_i) and various control variables (X_ji) n determining the likelihood of being self-employed. Here, P_i is the probability that individual i being self-employed and 1-P_i is the probability that the individual is not self-employed. The log transformation of odds ln(P/(1-P_i)), allows us to model the relationship between the independent variables and the log-odds of being self-employed in a linear way. The coefficient β_0 is the intercept, which represents the log-odds of being self-employed when all independent variables are zero. The coefficient β_1 measures the effect of social capital (〚SCI〛_i) on the log-odds of being self-employed, while the coefficients β_j capture the impact of control variables. These controls include sex, marital status, education level, urban or rural residency, individual earnings, parental self-employment status, extraversion score, household size, age, and the gross domestic regional product (GDRP) at the kabupaten/city level.

This comprehensive set of variables was selected to encompass a wide range of factors such as demographic, socio-economic, psychological, and regional economics that may influence self-employment. Gujarati (2010) emphasizes the importance of accounting for the complexities of the real world, noting that nonlinear models often provide a more

effective framework for capturing these dynamics. To account for unobserved factors that might influence the outcome, the model includes an error term $〚(ε〛\_i)$. The parameters in this model are estimated using the Maximum Likelihood Estimation (MLE) method in STATA. This approach ensures that the results are statistically reliable and provide meaningful insights.

3. Result and Discussion

3.1 Descriptive statistics

This research utilizes IFLS 5 data that contains over 50.158 participants in Indonesia. Though the final sample taken for this research is 14.776. In other words, approximately 29% of the overall data of IFLS 5 2014.

Table 5. Descriptive statistics sample

Variables	Obs	Mean	Std. Dev.	Min	Max
Dependent Variable					
Entrepreneurship	14.776	0.388	0.487	0	1
Independent Variable					
Cooperativeness	14.776	75.94	15.59	0	100
Trust	14.776	52.13	8.974	11.111	96.296
Participation	14.776	2.230	1.960	0	13
Control Variable					
Gender (Female = 0) (Male = 1)	14.776	0.612	0.487	0	1
Married status	14.776				
Not Married	1.896	0	0	0	0
Ever Married	1.119	0.757	0.264	0	1
Married	11.761	0.795	0.403	0	1
Age Group	14.776				
15-24	1.771	0	0	0	0
25-34	4.437	0.300	0.458	0	1
35-44	4.029	0.272	0.445	0	1
45-64	3.975	0.269	0.443	0	1
65-85	564	0.381	0.191	0	1
Edu Group	14.776				
No Educ	2.455	0	0	0	0
Elementary School	3.274	0.221	0.415	0	1
Junior High School	2.547	0.172	0.377	0	1
Senior High School	4.713	0.318	0.466	0	1
College	1.787	0.120	0.326	0	1
Area of Residence (Rural = 0) (Urban = 1)	14.776	0.608	0.488	0	1
Parents Entrepreneur Status	14.776	0.450	0.497	0	1
Extraversion score	14.776	10.33	1.981	3	15
Hhsize	14.776	4.073	1.803	1	16
Ln hhexp	14.776	15.02	0.628	12.143	18.55
Ln GDRP constant	14.776	9.933	1.176	6.46	12.715

(IFLS 5)

Among the independent variables, "Cooperativeness" exhibits a high mean value of 75.94 with a standard deviation of 15.58, suggesting that participants generally rate high in cooperative behavior, but individual responses vary considerably. Similarly, "Trust" has a mean score of 52.13 and a relatively smaller standard deviation of 8.97, indicating moderate levels of interpersonal trust in the sample with less variation compared to cooperativeness.

"Participation" in community or social activities has a mean value of 2.23 and a standard deviation of 1.96 reflecting low levels of participation on average, but with noticeable differences across individuals. Table 5 shows that the descriptive statistics reveal notable variation across the sample in both social and economic characteristics.
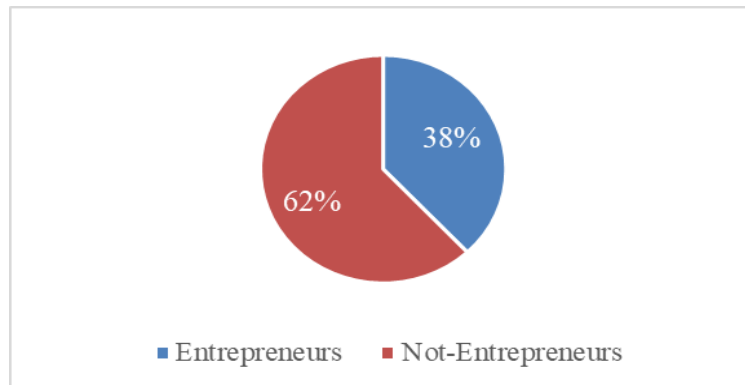

Fig 3. Entrepreneurs and non-entrepreneurs
(IFLS 5)

The dependent variable, entrepreneurship, has a mean value of 0.38, indicating that approximately 38% of the sampled individuals are engaged in entrepreneurial activities. The standard deviation of 0.48 highlights a significant variation in entrepreneurial engagement among the sample, as the variable is binary (0 or 1). This suggests that while a substantial portion of the population participates in entrepreneurship, there is considerable diversity within the sample.

Table 6. Entrepreneurship by gender

Entrepreneurship Status		Gender		Total
		Female	Male	
Entrepreneurs	N	2.258	3.488	5.746
	%	39.41%	38.55%	38.89
Non-Entrepreneurs	N	3.471	5.559	9.030
	%	60.59%	61.45%	61.11

(IFLS 5, processed by Author)

Among all respondents, 39.41% of female participants are entrepreneurs, while 38.55% of male participants fall into this category, leading to an overall entrepreneurship rate of 38.94%. On the other hand, 60.59% of females and 61.45% of males are non-entrepreneurs, making up 61.06% of the total. This distribution suggests a relatively balanced participation in entrepreneurship between genders, though males slightly outnumber females in both categories.

Table 7. Entrepreneurship by marital status

Entrepreneurship Status		Marital Status			Total
		Not Married	Ever Married	Married	
Entrepreneurs	N	238	595	4.913	5.746
	%	12.55%	53.17%	41.77%	38.89%
Non-Entrepreneurs	N	1.658	524	6.848	9.030
	%	87.45%	46.83%	58.23%	61.11%

(IFLS 5, processed by Author)

Table 7 presents the descriptive statistics between entrepreneurship status and marital status. Among entrepreneurs, 12.55 % are not married, 53.17% are ever married, and 41.77% are married, totaling 5.746 individuals. In contrast, non-entrepreneurs consist of 87.45% not married, 46.83% ever married, and 58.23% married, with a total of 9.030

individuals. Overall, the total number of respondents is 14.776. The data suggests a notable difference in marital status between entrepreneurs and non-entrepreneurs.

Table 8. Entrepreneurship by age

Entrepreneurship Status		Age					Total
		15-24: Young Adults	25-34: Early Career	35-44: Established Age	45-64: Peak Career	65-85: Seniors	
Entrepreneurs	N	231	1.337	1.642	2.102	434	5.818
	%	13.04%	30.13%	40.75%	52.88%	76.95%	38.89
Non-Entrepreneurs	N	1.540	3.100	2.387	1.873	130	9.030
	%	86.96%	69.87%	59.25%	47.12%	23.05%	61.11

(IFLS 5, processed by Author)

Table 8 shows the cross-tabulation between entrepreneurship status and age. Among entrepreneurs, 13.04% are young adults (15-24), 30.13% are in their early career (25-34), 40.75% are in the established age group (35-44), 52.88% are at their peak career (45-64), and 76.95% are seniors (65-85), totaling 5,818 individuals. In contrast, non-entrepreneurs consist of 86.96% young adults, 69.87% in early career, 59.25% in established age, 47.12% at peak career, and 23.05% seniors, with a total of 9,030 individuals.

Table 9. Entrepreneurship by area of residence

Entrepreneurship Status		Area of Residence		Total
		Rural	Urban	
Entrepreneurs	N	2.892	2.883	5.746
	%	50%	31.74%	38.89
Non-Entrepreneurs	N	2.892	6.138	9.030
	%	50%	68.26%	61.02

(IFLS 5, processed by Author)

Table 9 illustrates the distribution of entrepreneurship status based on the area of residence, distinguishing between rural and urban locations. The data shows that entrepreneurs are evenly split in rural areas, with 50% of rural residents being entrepreneurs. In urban areas, only 31.74% are entrepreneurs. Conversely, 68.26% of urban residents are non-entrepreneurs, compared to 50% in rural areas. Overall, the total number of entrepreneurs is 5.746, while non-entrepreneurs make up 9.030.

Table 10. Entrepreneurship by highest education graduated

Entrepreneurship Status		Highest Education Graduated					Total
		No Education	Elementary School	Junior High School	Senior High School	College	
Entrepreneurs	N	1.414	1.600	1.010	1.444	278	5.746
	%	57.60%	48.87%	39.65%	30.64%	15.56%	38.89%
Non-Entrepreneurs	N	1.041	1.674	1.537	3.269	1.509	9.030
	%	42.40%	51.13%	60.35%	69.36%	84.44%	61.11%

(IFLS 5, processed by Author)

Table 10 examines the descriptive statistics between entrepreneurship status and the highest level of education graduated. The data shows that entrepreneurship is more common among individuals with lower education levels, with 57.60% of entrepreneurs having no formal education and only 15.56% having a college degree. In contrast, non-entrepreneurs are more likely to have higher education, with 84.44% of college graduates falling into this category.

Table 11. Entrepreneurship by parents entrepreneur

Entrepreneurship Status		Parents Entrepreneurial Status		Total
		Parent non-entrepreneur	Parent Entrepreneur	
Entrepreneurs	N	2.531	3.215	5.818
	%	31.19%	48.27%	38.94%
Non-Entrepreneurs	N	5.585	3.445	9.030
	%	68.81%	51.73%	61.11%

(IFLS 5, processed by Author)

Table 11 explores the descriptive cross tabulation between entrepreneurship status and parental entrepreneurial background. The data reveals that individuals with entrepreneur parents are more likely to become entrepreneurs themselves, with 48.27% of them engaging in entrepreneurship. In contrast, only 31.19% of individuals whose parents were non-entrepreneurs chose an entrepreneurial path. On the other hand, 68.81% of individuals with non-entrepreneur parents remain non-entrepreneurs, while 51.73% of those with entrepreneur parents also do not pursue entrepreneurship.

3.2 Inferential statistics

Table 12 presents the inferential statistics from the binary logistic regression analysis, which examines the impact of various independent variables on entrepreneurship as the dependent variable. The table shows odds ratios to provide a clearer interpretation of the research findings.

Table 12. Odds ratios of entrepreneurship and social capital with control variables

Variables	Odds Ratio	z
Independent Variables		
Cooperativeness_Index	0.998	-1.15
Trust_Index	0.992***	-3.74
Participation	1.030***	3.06
Control Variables		
Male	0.89***	-2.63
Married_Status		
Ever Married	1.91***	5.90
Married	1.82***	6.98
Educ Group (ref: No Education)		.
1: Elementary School	0.958	-0.71
2: Junior High School	0.863**	-2.22
3: Senior High School	0.637***	-7.15
4: College	0.181***	-19.34
Arie of Residence (ref: Rural)		
Urban	0.58***	-13.26
Parents Entrepreneur	1.695***	13.87
Extraversion_Score	1.037***	3.81
Hhsize	0.992	-0.64
Age Group (Ref: 15-25)		
25-34	2.109***	8.39
35-44	3.010***	12.10
45-64	4.49***	16.04
65-85	12.00***	17.80
Ln_Gdrpconstanttant	0.854***	-9.13
Ln_Hhexp	1.380***	9.16
Constant	0.019***	-7.60

Standard error in parantheses
*** $p<0.01$, **$p<0.05$, *$p<0.1$
(IFLS 5, processed by Author)

The results indicate that the cooperativeness index is not statistically significant, whereas the trust index has a negative correlation with entrepreneurship. Most variables are significant at the 0.01 level, except for junior high school education level, which are significant at the 0.05 level.

3.2.1 The relationship between social capital and entrepreneruship

The logistic regression analysis sheds light on the factors influencing the likelihood of becoming an entrepreneur, revealing nuanced relationships between key social capital indicators. The cooperativeness index, with a coefficient of -0.0015 and a p-value of 0.208, is found to have no statistically significant effect on entrepreneurship. The trust index demonstrates a significant negative effect on entrepreneurship (odds ratio = -992, p-value <0.001), suggesting that individuals with higher levels of trust are less likely to engage in entrepreneurial ventures. This counterintuitive finding aligns with prior research, which explains how trust reduces the perceived risks of collaboration, leading individuals to prefer the stability of traditional employment or partnerships over the uncertainties of independent entrepreneurship (Minniti & Naude, 2010; Mualim-Hasibuan et al., 2024). High trust levels often encourage reliance on institutions and established networks, which can provide safer opportunities but diminish the drive for innovation and self-reliance (Mulya, 2024; Murphy & Tuszynski, 2020).

Excessive trust within close-knit networks may further hinder entrepreneurship by reinforcing adherence to group norms and reducing the push for innovative risks (Murugesan & Jayavelu, 2017; Nasution et al., 2014). Similarly, Nikou et al. (2019) highlight that in highly trusting communities, individuals may prioritize collective security and shared resources over independent financial risk-taking. This phenomenon is also supported by (Nzilano, 2024; Pathak & Muralidharan, 2015), who found that high interpersonal trust often results in a preference for stability rather than venturing into uncertain opportunities. Moreover, trust can narrow entrepreneurial activity by reducing the perception of exploitable opportunities outside collective networks (Poon et al., 2012; Putnam, 2000). Rachmania et al. (2012) further argue that in high-trust societies, individuals are more inclined to rely on the security of well-functioning institutions and established firms, limiting entrepreneurial intentions. While trust facilitates collaboration and reduces transactional costs, its overemphasis can act as a double-edged sword, curbing the motivation for individuals to take entrepreneurial risks (Raevskaya & Tatarko, 2022; Rodriguez & Lieber, 2020). Participation in community activities and networks is associated with a 3% higher likelihood of engaging in entrepreneurship, as indicated by an odds ratio of 1.030 and a statistically significant p-value of 0.002. This finding underscores the importance of social capital in fostering entrepreneurship, aligning with theories presented by Ronning (2011). This aligns with studies such as Runst & Thoma (2022), which illustrate how participatory initiatives strengthen entrepreneurial ecosystems by fostering resource sharing and collaboration. Moreover, Salsabillah et al. (2023) emphasize mentorship as a cornerstone of entrepreneurial growth, directly linked to community participation.

3.2.2 The relationship between control variable and entrepreneruship

This research explores individual characteristics such as gender, age, marital status, education, and extraversion score, Additionally, the study also considers economic factors, including household size. household expenditure, GRDP (Gross Regional Domestic Product), area of residence, and parental entrepreneurial status. The logistic binary regression results in Table 7 show that males being 0.883 times less likely to become entrepreneurs than females. This aligns with Table 8, where 39.41% of females and 38.55% of males are entrepreneurs, suggesting a slightly higher female participation rate. Similarly, 60.59% of females and 61.45% of males are non-entrepreneurs, reinforcing the trend that males are marginally more likely to remain outside entrepreneurship. This in turn correlates to study done by Samir & Lawson (2024); Schumpeter (1942) who discuss how women in

developing countries often engage in entrepreneurship out of necessity rather than opportunity (due to unemployment, family obligations, or lack of formal employment). Sen (1999); Senapati & Ojha (2019) also argue on "entrepreneurial gender gap" and finds that women are more likely to pursue entrepreneurial ventures in environments where they can leverage supportive social norms and relational capital, which reduces the structural barriers typically faced by men.

The age groups are classified as follows: 15–24: Young Adults, 25–34: Early Career Professionals, 35–44: Established Career Stage, 45–64: Peak Professional and Pre-Retirement Years, 65–80: Seniors. The odds ratios for different career stages highlight how age affects entrepreneurship. Individuals in the early career stage (25-34) have an odds ratio of 2.109, significant at the 0.001 level, meaning they are 2.109 times more likely to pursue entrepreneurship than the 15-24 reference group. For those in the established career stage (35-44), the odds ratio increases to 3.571, also significant at 0.001, indicating they are 3.571 times more likely to become entrepreneurs compared to the 15-24 group. Peak professionals (45-54) have an even higher odds ratio of 5.425, with the same significance level, showing they are 5.425 times more likely to engage in entrepreneurship than the reference group. Senior professionals (55+) display the highest odds ratio at 15.17, significant at 0.001, meaning they are 15.17 times more likely than those aged 15-24 to pursue entrepreneurship. The relationship between marital status and entrepreneurship in this study is categorized as follows: married individuals are coded as 2, ever married (widowed, divorced, or separated) as 1, and not married as 0. Based on the logistic regression analysis, being married is associated with a higher likelihood of engaging in entrepreneurship, with a statistically significant p-value of 0.001. Specifically, individuals who have ever been married have an odds ratio of 1.91, indicating they are more likely to engage in entrepreneurial activities compared to their unmarried counterparts. Similarly, married individuals have an odds ratio of 1.82, also suggesting a greater likelihood of becoming entrepreneurs. This finding aligns with the descriptive statistics in Table 9, which show that 53.17% of entrepreneurs are ever married, compared to 46.83% of non-entrepreneurs, while those who are not married make up 12.55% of entrepreneurs but 87.45% of non-entrepreneurs. This aligns with the findings of Shafi et al. (2024); Shane (2003) who explored determinants of entrepreneurship in developing countries, which found that being married increases the likelihood of entrepreneurship in developing countries.

The relationship between education and entrepreneurship in this study is analyzed across five categories: no schooling (0), elementary school (1), junior high school (2), senior high school (3), and college graduate (4). The odds ratios suggest that education has a varying impact on entrepreneurship, with statistical significance increasing at higher education levels. Elementary school graduates have an odds ratio of 0.811, but this relationship is not statistically significant (p > 0.1), meaning it does not have statistical evidence. Junior high school graduates have an odds ratio of 0.759, significant at the 0.05 level, while senior high school graduates have an odds ratio of 0.584, significant at the 0.01 level. College graduates show the strongest negative association with entrepreneurship, with an odds ratio of 0.208, also significant at the 0.01 level. This finding aligns with the descriptive statistics in Table 4.6, which show that 57.60% of entrepreneurs have no formal education, whereas only 15.56% hold a college degree, while 84.44% of college graduates fall into the non-entrepreneur category. This finding are align with the findings of Shobban-Mean (2024) and Singh & Basri (2024) that finds that individuals with lower educational attainment are more likely to engage in entrepreneurial activities, while those with higher education levels tend to pursue non-entrepreneur employment.

The variable examining parent entrepreneurial status investigates whether having self-employed parents influences an individual's likelihood of becoming an entrepreneur. Individuals with self-employed parents have a higher likelihood of 1.735, with a significance level of 0.01. This aligns with Table 10, where 48.27% of individuals with entrepreneur parents pursue entrepreneurship, compared to 31.19% of those with non-entrepreneur parents. Conversely, 68.81% of individuals with non-entrepreneur parents remain non-

entrepreneurs, while 51.73% of those with entrepreneurial parents also do not pursue self-employment. These findings align with Solomon et al. (2008); Sopiani et al. (2025), who demonstrated that having self-employed parents significantly increases the probability of pursuing an entrepreneurial career. The area of residence variable examines whether individuals live in urban or rural areas. Urban areas are coded as 1, while rural areas are coded as 0. The findings show that individuals living in urban areas are less likely to become entrepreneurs, with a probability of 0.58 and a significance level of 0.001. This aligns with Table 8, which reveals that only 31.74% of urban residents are entrepreneurs, compared to 50% in rural areas, where entrepreneurship is more evenly distributed. Conversely, 68.26% of urban residents are non-entrepreneurs, highlighting a stronger preference for non-entrepreneurial careers in cities.

The findings show an odds ratio of 1.038 at a significance level of 0.001, meaning that individuals with higher extraversion scores are more likely to be entrepreneurs. This in turn is aligned with the findings of Stoica et al. (2020); Stuart & Sorenson (2007) that concluded extroversion significantly predicts entrepreneurship through improved interpersonal skills and confidence. The variable of household size reflects the number of individuals living in a household. In this research, the findings indicate an odds ratio of 0.992; however, this result is statistically insignificant. Consequently, this variable cannot be interpreted meaningfully, as it does not demonstrate any statistically significant evidence. The results show an odds ratio of 0.854. This means that individuals who live in cities or regencies with higher GDRP are 0.854 less likely to engage in entrepreneurship. Though this is not align with the findings of Syaiful & Kharisma (2022); Tambunan (2009) which suggest that higher economic output in an area leads to a greater probability of entrepreneurship but it is align with the findings of Thornton & Flynn (2003); Todaro & Smith (2017) that suggest that in regions with higher economic prosperity, individuals may prefer non-entrepreneurship employment over entrepreneurship. This variable reflects how much households spend on monthly expenses. The odds ratio for household expenditure is 1.323, with a high level of significance. This indicates that individuals from households with higher monthly expenses are more likely to engage in entrepreneurial activities.

4. Conclusion

This research analyzed the relationship between social capital and entrepreneurship, considering individual and economic factors. Among the three aspects of social capital: participation, cooperativeness, and trust, only participation positively influences entrepreneurship. Individuals actively involved in community programs and neighborhood activities are more likely to pursue entrepreneurial ventures. In contrast, trust has a negative effect, suggesting that higher trust levels may reduce entrepreneurial tendencies by fostering reliance on stable institutions and collective security rather than independent risk-taking. Although cooperativeness was examined, it did not have a meaningful impact on entrepreneurship and was therefore not emphasized in the conclusion. Cooperation tends to promote teamwork within structured environments but does not necessarily translate into entrepreneurial initiative, which often requires independent decision-making and risk-taking. These findings highlight the complex role of social capital, where active participation fosters entrepreneurship, trust may discourage self-employment, and cooperativeness does not significantly influence entrepreneurial intent. This underscores the importance of fostering community engagement while ensuring that institutional trust does not inadvertently discourage entrepreneurial ambition.

In addition, the results show that all control variables have a statistically significant relationship with entrepreneurship. Age plays an important role, as a individuals in the later stages of life are more likely to become entrepreneurs compared to those who are at the beginning of their careers. Gender, parent entrepreneurs status, marital status, and personality traits also influence entrepreneurial tendencies, with women, married individuals, and those with extroverted personalities being more inclined to pursue entrepreneurship. Moreover, higher monthly expenditures are more likely to become

entrepreneurs, potentially due to greater financial responsibilities or shared resources within the household. Conversely, individuals living in urban areas and regions with higher gross domestic regional product are less likely to engage in entrepreneurship. This may be because these areas offer more alternative employment opportunities, reducing the need or motivation to start entrepreneurial ventures. These findings suggest that the entrepreneurs analyzed in this study are most likely operating in the micro, small, and medium enterprise (MSME) sector, rather than being large-scale business owners with extensive capital. Many individuals turn to entrepreneurship as a means of economic survival rather than innovation-driven ventures, reflecting the reality that self-employment often arises out of necessity rather than opportunity. This distinction is crucial for policymakers, as fostering a supportive ecosystem for small businesses through access to funding, mentorship, and market opportunities can empower these entrepreneurs and enhance their long-term sustainability. Understanding the social and economic drivers of entrepreneurship can help create targeted policies that support individuals who rely on self-employment as their primary means of livelihood.

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Conflicts of Interest
The authors declare no conflict of interest.

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