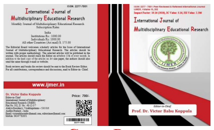
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SOCIAL CAPITAL AND ENTREPRENEURIAL SUCCESS AMONG SMALL BUSINESS OWNERS

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Abstract

Social capital has emerged as an important determinant of entrepreneurial success by facilitating access to business information, financial resources, market opportunities, and collaborative networks. Small business owners increasingly depend on interpersonal relationships, trust, and institutional linkages to sustain enterprise growth in a competitive business environment. The present study examines the relationship between social capital and entrepreneurial success among small business owners in Tumakuru District, Karnataka. The objectives of the study are to examine the socio-economic characteristics of small business owners and to assess the influence of social capital on entrepreneurial success. A descriptive research design was adopted, and primary data were collected from 150 small business owners using a structured questionnaire through a simple random sampling technique. Secondary data were obtained from the Ministry of Micro, Small and Medium Enterprises, Udyam Registration Portal, Karnataka Economic Survey, NABARD reports, and relevant books and research articles. The collected data were analysed using frequency, percentage, and the Chi-square test. The findings reveal that a majority of entrepreneurs possessed graduate-level education, operated trading and service enterprises, and relied primarily on personal savings during the establishment of their businesses. Business association membership, digital access to business information, and high levels of trust and cooperation were found to strengthen entrepreneurial performance. The hypothesis testing indicated a significant association between socio-economic characteristics and entrepreneurial success, as well as between social capital and entrepreneurial success. The study concludes that strengthening entrepreneurial networks, improving institutional support, enhancing access to finance, and promoting collaborative business environments can contribute substantially to the sustainable growth and competitiveness of small enterprises in Tumakuru District.

Keywords: Social Capital, Entrepreneurial Success, Small Business Owners, MSMEs, Tumakuru District

Introduction

Entrepreneurship has become one of the principal drivers of economic development, employment generation, innovation, and regional transformation across both developed and developing economies. Small business enterprises, particularly micro and small enterprises, contribute significantly to income generation, local production, market expansion, and poverty reduction while strengthening the socio-economic structure of communities. In recent years, the success of entrepreneurial ventures has been understood not only in terms of financial capital or technological capability but also through the influence of social capital, which encompasses networks, trust, cooperation, reciprocity, and institutional relationships that facilitate access to information, resources, and business opportunities. Entrepreneurs who maintain strong relationships with customers, suppliers, financial institutions, business associations, and local communities are generally better positioned to overcome business uncertainties, acquire market knowledge, and improve enterprise performance. Social capital therefore functions as an intangible resource that enhances business resilience, promotes knowledge sharing, and supports sustainable entrepreneurial development.

India has experienced remarkable growth in the Micro, Small and Medium Enterprises (MSME) sector during the last decade, making it one of the largest contributors to the national economy. According to the Ministry of Micro, Small and Medium Enterprises, the MSME sector contributes approximately 30 percent of India's Gross Domestic Product, nearly 36 percent of manufacturing output, around 45 percent of exports, and provides employment to more than 28 crore people through over 6.3 crore enterprises. The introduction of digital governance, the Udyam Registration system, MUDRA loans,

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the Prime Minister's Employment Generation Programme (PMEGP), Stand-Up India, and various entrepreneurship promotion initiatives has strengthened the business ecosystem by improving access to finance, formalisation, and market opportunities for small entrepreneurs. These initiatives have encouraged the establishment of new enterprises while improving the competitiveness and sustainability of existing businesses.

Karnataka has emerged as one of India's leading entrepreneurial states because of its diversified industrial base, favourable investment climate, expanding infrastructure, and strong institutional support for micro, small, and medium enterprises. The state has promoted entrepreneurship through industrial policies, technology adoption, skill development programmes, financial assistance, and incubation centres. According to Udyam Registration statistics and the Karnataka Economic Survey, Karnataka has several lakh registered MSMEs operating across manufacturing, trading, and service sectors, generating substantial employment and supporting balanced regional development. Tumakuru District occupies a prominent position within the state's entrepreneurial landscape owing to its strategic location, industrial estates, agro-based enterprises, engineering units, educational institutions, and expanding commercial activities. The district has witnessed steady growth in small business establishments across retail trade, food processing, automobile services, textiles, fabrication, construction, and other service sectors, creating opportunities for self-employment and local economic development.

Review of Literature

(Adler & Kwon, 2002) conceptualized social capital as a valuable organizational resource that facilitates information exchange, cooperation, and collective action, thereby improving organizational effectiveness and entrepreneurial outcomes. **(Nahapiet & Ghoshal, 1998)** explained that structural, relational, and cognitive dimensions of social capital promote knowledge creation and competitive advantage by strengthening interpersonal relationships and resource sharing within organizations. **(Batjargal, 2003)** examined entrepreneurial firms and found that entrepreneurs possessing stronger social networks achieved better business performance because social relationships improved access to finance, market opportunities, and strategic information. **(Basu, 2012)** highlighted that social entrepreneurs contribute to the creation and maintenance of social capital through community participation, trust, and collaborative leadership, thereby strengthening organizational sustainability and local development. **(Akintimehin et al., 2019)** reported that social capital has a positive influence on business performance in the informal sector by enhancing customer relationships, business cooperation, and access to financial resources. **(Gamage et al., 2020)** conducted a systematic review of studies on social capital and small and medium enterprises and concluded that social capital contributes significantly to SME performance through innovation, marketing capability, knowledge sharing, and competitive advantage, while identifying the need for more empirical research in developing economies. **(Razak & Srinivasulu, 2022)** investigated MSMEs in South India and observed that structural, relational, and cognitive dimensions of social capital significantly improve entrepreneurial performance, confirming that business networking and trust positively influence enterprise growth. **(Kaushik & Dangwal, 2023)** emphasized that entrepreneurial orientation, market orientation, and institutional support collectively strengthen MSME performance by enabling entrepreneurs to respond effectively to changing market conditions and customer demands. **(Boudreaux et al., 2021)** demonstrated that social capital enhances small business productivity primarily through improved access to finance and stronger customer relationships, indicating that interpersonal networks operate as important mechanisms linking social capital with business success. **(Shharma et al., 2026)** found that social capital, social interaction, and financial literacy significantly improve access to finance for Indian small and medium enterprises, thereby strengthening enterprise growth and long-term sustainability.

Research Objectives

1. To examine the socio-economic profile of small business owners in Tumakuru District.
2. To assess the influence of social capital on the entrepreneurial success of small business owners in Tumakuru District.

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Research Hypotheses

Hypothesis 1

H_{01}: There is no significant association between the socio-economic characteristics of small business owners and entrepreneurial success in Tumakuru District.

H_{11}: There is a significant association between the socio-economic characteristics of small business owners and entrepreneurial success in Tumakuru District.

Hypothesis 2

H_{02}: There is no significant association between social capital and entrepreneurial success among small business owners in Tumakuru District.

H_{12}: There is a significant association between social capital and entrepreneurial success among small business owners in Tumakuru District.

Research Methodology

The present study adopted a descriptive research design to examine the influence of social capital on entrepreneurial success among small business owners in Tumakuru District, Karnataka. Both primary and secondary data were used for the study. Primary data were collected from 150 small business owners through a structured questionnaire using a simple random sampling technique. The questionnaire included items relating to socio-economic characteristics, business profile, social networks, trust, cooperation, sources of business information, financial resources, and entrepreneurial success. Secondary data were obtained from the Ministry of Micro, Small and Medium Enterprises (MSME), Udyam Registration Portal, Karnataka Economic Survey, National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), Government of Karnataka publications, and relevant books, journals, and research articles. The collected data were classified, tabulated, and analysed using descriptive statistical tools such as frequency and percentage. The Chi-square test was employed to examine the association between the selected variables, and the hypotheses were tested at the 5 percent level of significance.

Data Analysis and Interpretation

Table 1. Gender-wise Distribution of Small Business Owners

Gender	Frequency	Percentage
Male	102	68.00
Female	48	32.00
Total	150	100.00

Source: Field Survey

The gender-wise distribution indicates that 68.00 percent (102) of the respondents were male entrepreneurs, whereas 32.00 percent (48) were female entrepreneurs. The larger proportion of male-owned enterprises reflects the traditional dominance of men in small business ownership, particularly in manufacturing, wholesale trade, automobile services, and construction-related activities within Tumakuru District. At the same time, the representation of women entrepreneurs demonstrates the gradual expansion of women's participation in entrepreneurship through self-employment programmes, self-help groups,

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and financial inclusion initiatives. Over the last decade, government schemes such as the Prime Minister's Employment Generation Programme (PMEGP), MUDRA, Stand-Up India, and various Karnataka State programmes have encouraged women to establish enterprises in retail trade, food processing, tailoring, beauty services, and other service-oriented activities. According to the Ministry of Micro, Small and Medium Enterprises, India has witnessed continuous growth in women-owned MSMEs owing to improved institutional finance, entrepreneurship development programmes, and digital business opportunities.

Table 2. Age-wise Distribution of Small Business Owners

Age Group	Frequency	Percentage
Below 30 Years	24	16.00
31–40 Years	48	32.00
41–50 Years	45	30.00
Above 50 Years	33	22.00
Total	150	100.00

Source: Field Survey

The table shows that 32.00 percent (48) of the respondents belonged to the 31–40 years age group, followed by 30.00 percent (45) in the 41–50 years category. Entrepreneurs above 50 years constituted 22.00 percent (33), while only 16.00 percent (24) were below 30 years of age. The findings indicate that middle-aged entrepreneurs dominate small business ownership in Tumakuru District, as they generally possess greater work experience, financial stability, and business networks. According to the Ministry of MSME and the Economic Survey of Karnataka, individuals in the middle-age group constitute a substantial share of MSME owners because of their accumulated skills, entrepreneurial experience, and better access to financial resources, which supports the present distribution.

Table 3. Educational Qualification of Small Business Owners

Educational Qualification	Frequency	Percentage
SSLC or Below	28	18.67
PUC	39	26.00
Graduate	56	37.33
Postgraduate and Above	27	18.00
Total	150	100.00

Source: Field Survey

The educational profile reveals that 37.33 percent (56) of the respondents were graduates, followed by 26.00 percent (39) who had completed PUC. Entrepreneurs with SSLC or below constituted 18.67 percent (28), while 18.00 percent (27) possessed postgraduate qualifications. The findings suggest that higher educational attainment has become increasingly important for managing small businesses, particularly in areas such as financial management, digital marketing, and customer relations. The All India Survey on Higher Education (AISHE) and the Ministry of MSME have reported that educated entrepreneurs are more likely to adopt innovation, digital technologies, and formal business practices, contributing to improved enterprise performance and sustainability.

Table 4. Nature of Enterprise

Nature of Enterprise	Frequency	Percentage
Manufacturing	42	28.00
Trading	51	34.00
Services	45	30.00

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Others	12	8.00
Total	150	100.00

Source: Field Survey

The table indicates that trading enterprises accounted for 34.00 percent (51) of the respondents, followed by service enterprises with 30.00 percent (45) and manufacturing units with 28.00 percent (42). Only 8.00 percent (12) were engaged in other business activities. The higher representation of trading and service enterprises reflects the relatively lower capital requirement and quicker business establishment associated with these sectors. Udyam Registration data and the Ministry of MSME indicate that micro enterprises engaged in trade and services constitute a major proportion of registered MSMEs across Karnataka, including districts such as Tumakuru, supporting the observed pattern.

Table 5. Years of Business Experience

Years of Business Experience	Frequency	Percentage
Below 5 Years	31	20.67
5–10 Years	47	31.33
11–15 Years	39	26.00
Above 15 Years	33	22.00
Total	150	100.00

Source: Field Survey

The distribution shows that 31.33 percent (47) of the respondents had 5–10 years of business experience, followed by 26.00 percent (39) with 11–15 years of experience. Entrepreneurs having more than 15 years of experience accounted for 22.00 percent (33), while 20.67 percent (31) had less than five years of experience. The findings indicate that a majority of entrepreneurs possess considerable business experience, which helps them establish stronger market relationships and improve enterprise performance. Reports of the Ministry of MSME suggest that business experience contributes significantly to enterprise sustainability by enhancing managerial capability, customer retention, and market adaptability.

Table 6. Primary Source of Business Finance

Source of Business Finance	Frequency	Percentage
Personal Savings	54	36.00
Bank Loan	43	28.67
Family and Friends	31	20.67
Government Financial Assistance	22	14.66
Total	150	100.00

Source: Field Survey

The table reveals that 36.00 percent (54) of the respondents established their businesses using personal savings, while 28.67 percent (43) depended on bank loans. Family and friends supported 20.67 percent (31) of the entrepreneurs, whereas 14.66 percent (22) received financial assistance through government schemes. The predominance of personal savings indicates that many small business owners prefer self-financing during the initial stages of enterprise development. The Ministry of MSME and the Reserve Bank of India have reported that micro and small entrepreneurs frequently rely on personal resources before approaching formal financial institutions, although government credit schemes such as PMEGP and MUDRA have considerably expanded access to institutional finance.

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Table 7. Membership in Business Associations or Entrepreneurial Networks

Membership Status	Frequency	Percentage
Member	94	62.67
Not a Member	56	37.33
Total	150	100.00

Source: Field Survey

The findings indicate that 62.67 percent (94) of the respondents were members of business associations, trade organisations, chambers of commerce, self-help groups, or entrepreneurial networks, whereas 37.33 percent (56) had no such membership. The higher level of organisational participation suggests that entrepreneurs recognize the value of networking in obtaining business information, financial support, training opportunities, and market linkages. Studies by NABARD, SIDBI, and the Ministry of MSME have consistently highlighted that participation in business networks strengthens social capital by facilitating knowledge sharing, collaboration, and improved access to institutional services, thereby enhancing entrepreneurial success.

Table 8. Primary Source of Business Information and Support

Source of Business Information and Support	Frequency	Percentage
Family and Friends	36	24.00
Business Associations	42	28.00
Government Agencies	27	18.00
Digital Media and Online Platforms	45	30.00
Total	150	100.00

Source: Field Survey

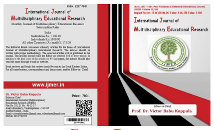
The table shows that 30.00 percent (45) of the respondents relied on digital media and online platforms for business information, followed by business associations (28.00%), family and friends (24.00%), and government agencies (18.00%). The increasing use of digital platforms reflects the growing adoption of technology by small business owners for obtaining market information, customer feedback, and business opportunities. Reports published by the Ministry of MSME and Digital India indicate that digital technologies have become an important source of business information and networking, particularly among micro and small enterprises, contributing to improved entrepreneurial performance.

Table 9. Level of Trust and Cooperation with Customers, Suppliers, and the Local Community

Level of Trust and Cooperation	Frequency	Percentage
Very High	34	22.67
High	59	39.33
Moderate	41	27.33
Low	16	10.67
Total	150	100.00

Source: Field Survey

The findings indicate that 39.33 percent (59) of the respondents reported a high level of trust and cooperation with customers, suppliers, and the local community, while 22.67 percent (34) perceived it as very high. About 27.33 percent (41) experienced a moderate level of trust, whereas only 10.67 percent (16) reported a low level. The results suggest that strong interpersonal relationships remain an important component of entrepreneurial success by promoting customer loyalty, business reputation, and long-term collaboration. Studies by the Organisation for Economic Co-operation and Development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(OECD) and the World Bank have emphasized that trust-based social capital enhances business performance by improving cooperation, reducing transaction costs, and facilitating access to market opportunities.

Table 10. Perceived Entrepreneurial Success among Small Business Owners

Level of Entrepreneurial Success	Frequency	Percentage
Very High	29	19.33
High	63	42.00
Moderate	40	26.67
Low	18	12.00
Total	150	100.00

Source: Field Survey

The table reveals that 42.00 percent (63) of the respondents perceived their entrepreneurial success to be high, followed by 26.67 percent (40) reporting moderate success. Entrepreneurs indicating very high success accounted for 19.33 percent (29), while only 12.00 percent (18) perceived their business performance as low. The findings indicate that a majority of small business owners have achieved satisfactory business outcomes through sustained market participation, customer relationships, and effective utilisation of available resources. According to the Ministry of MSME and the Karnataka Economic Survey, the expansion of micro and small enterprises, improved access to finance, entrepreneurial development programmes, and increasing market opportunities have contributed significantly to the growth and sustainability of small businesses in Karnataka, including Tumakuru District.

Hypothesis Testing

H_{01}: There is no significant association between the socio-economic characteristics of small business owners and entrepreneurial success in Tumakuru District.

H_{11}: There is a significant association between the socio-economic characteristics of small business owners and entrepreneurial success in Tumakuru District.

Table 11. Chi-square Test

χ^2 Value	df	p-value	Decision
18.524	9	0.029	Reject H_{01} and Accept H_{11}

The calculated p-value (0.029) is less than the 0.05 level of significance. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings indicate that the socio-economic characteristics of small business owners have a statistically significant association with entrepreneurial success in Tumakuru District. Variables such as education, business experience, and access to financial resources contribute to differences in entrepreneurial performance.

H_{02}: There is no significant association between social capital and entrepreneurial success among small business owners in Tumakuru District.

H_{12}: There is a significant association between social capital and entrepreneurial success among small business owners in Tumakuru District.

Table 12. Chi-square Test

χ^2 Value	df	p-value	Decision
27.813	9	0.001	Reject H_{02} and Accept H_{12}

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Since the calculated p-value (0.001) is lower than the 0.05 level of significance, the null hypothesis is rejected and the alternative hypothesis is accepted. The results demonstrate that social capital, reflected through business networks, trust, cooperation, and access to information, has a significant positive association with entrepreneurial success among small business owners in Tumakuru District.

Major Findings of the Study

The study found that the majority of small business owners in Tumakuru District were male entrepreneurs, although women entrepreneurs also constituted a considerable proportion, indicating gradual improvement in women's participation in entrepreneurial activities. Most respondents belonged to the 31–40 years age group, suggesting that entrepreneurship is predominantly undertaken during the economically productive stage of life. A substantial proportion of entrepreneurs possessed graduate-level education, highlighting the increasing importance of formal education in managing modern business enterprises. Trading and service enterprises accounted for the largest share of businesses, reflecting the district's growing commercial and service-oriented economy. The findings further revealed that many entrepreneurs had between five and ten years of business experience, indicating the presence of relatively established enterprises with adequate market exposure. Personal savings emerged as the principal source of business finance, followed by institutional credit, demonstrating the continued dependence on self-financing despite improvements in formal financial inclusion. More than half of the respondents were members of business associations and entrepreneurial networks, emphasizing the importance of networking in business development. Digital media and online platforms were identified as the most important sources of business information, indicating the increasing adoption of digital technologies by small business owners. The majority of respondents reported high levels of trust and cooperation with customers, suppliers, and the local community, reflecting the significant role of relational social capital in sustaining business operations. Most entrepreneurs also perceived their business performance to be highly successful, suggesting that strong social relationships, business experience, and access to information contribute positively to entrepreneurial outcomes. The Chi-square analysis established a significant association between socio-economic characteristics and entrepreneurial success, while social capital also demonstrated a statistically significant relationship with entrepreneurial success. The findings indicate that entrepreneurs possessing stronger social networks, greater trust, active participation in business associations, and better access to business information generally achieved higher levels of entrepreneurial success than those with relatively weaker social capital.

Conclusion

The study concludes that social capital plays an important role in enhancing the entrepreneurial success of small business owners in Tumakuru District. The findings indicate that entrepreneurs with stronger social networks, higher levels of trust, active participation in business associations, and better access to business information are more likely to achieve favourable business outcomes. The socio-economic characteristics of entrepreneurs, particularly educational attainment, business experience, and access to financial resources, also contribute significantly to enterprise growth and sustainability. The increasing use of digital platforms and institutional support mechanisms has further strengthened business performance by improving market access and communication. Although many entrepreneurs continue to depend on personal savings during the initial stages of business establishment, formal financial assistance and government entrepreneurship programmes have gradually expanded opportunities for enterprise development. The hypothesis testing confirms that both socio-economic characteristics and social capital have statistically significant associations with entrepreneurial success, emphasizing that entrepreneurial growth depends not only on financial resources but also on the quality of social relationships and institutional linkages. The study highlights the need for continued policy support to strengthen entrepreneurial networks, improve access to finance, encourage knowledge sharing, and promote capacity-building initiatives. Such measures can enhance the competitiveness of small businesses, generate sustainable employment opportunities, and contribute to balanced regional economic development in Tumakuru District.

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