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# The role of informal institutions in the relationship between social capital and international entrepreneurial entry

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## ABSTRACT

**Purpose.** The goal of the current study is to gain an understanding of how various informal institutional elements such as trust and corruption control affect the relationship between entrepreneurial ventures' social capital and their ability to reach the worldwide market.

**Design/Methodology/Approach.** The paper draws on internationalization and social capital data from the Global Entrepreneurship Monitor (GEM), which includes 482,257 observations from 44 countries between 2003-2013, with a focus on early-stage entrepreneurs (as defined by the TEA index) who are involved in significant international entrepreneurial entry. A multi-level modelling strategy is employed for analyzing the various hypotheses by using STATA.

**Findings.** Possessing a high level of social capital makes it easier to start a business at the international stage. And further, informal institutional variables, i.e., trust and control of corruption, positively moderate the association between social capital and international entrepreneurial entry; thus, societies where honesty prevails and corruption is controlled facilitate better international entrepreneurial entry.

**Limitations/Implications.** The study is based on informal institutions, i.e., the variable trust taken from the World Value Survey (WVS) and the variable control of corruption by using a large sample size and multi-level modelling from World Governance Indicators, which demonstrates the importance of institutions as systems of shared meanings and noncodified standards. However, there are a number of other informal institutional indicators to examine that could have an impact on the relationship at the individual level. Implications from a theoretical perspective explain advancement of the institutional perspective as a conceptual framework for explaining international entrepreneurial activity and, further, the study empirically validates the significance of informal institutional environmental factors in the context of international entrepreneurship.

**Originality/Value.** With the increasing interest of scholars in using the institutional approach and the availability of limited empirical studies in light of informal institutions, using a multi-level approach the current study empirically investigates the role of trust and control of corruption in the context of social capital and international entrepreneurship.

**Keywords:** social capital, internationalization, international entrepreneurship, informal institutions

## INTRODUCTION

There is a surge of literature in the field of international entrepreneurship that highlights the significance of the idea of social capital as an important descriptive constituent in the process of internationalization of an entrepreneurial venture (Shahid, 2020; Puthusserry *et al.*, 2020). And various empirical studies have also highlighted the importance of networks of relationships, which smoothen and also accelerate the internationalization process of new ventures (Sedzinauskiene *et al.*, 2019). Social capital helps in acquiring critical knowledge required in achieving access to international markets (Welch, 2004). Further, in economies where the institutional structure is characterized by deeply embedded norms, values and codes of conduct, entrepreneurial social capital appears to play a significant role in helping entrepreneurs to cope with constraints present in the culture of a society.

The continued reflection on firms' globalization and their efforts in internationalization (Inouye *et al.*, 2020) has shifted the interests of scholars towards studying the role of institutions in this process. Literature on firms entering the international market is gaining significant attention from policy-makers and academics. This is happening due to a transformation taking place in various business practices along with changes in informal institutional environmental factors.

Based on mixed empirical findings reported in the literature on the relationship between informal institutions and international entry (Muralidharan and Pathak, 2020; Chang and Rosenzweig, 2001; Luo, 2001) as well as a meta-analysis, a study conducted by Tihanyi *et al.* (2005) reported insignificant statistical evidence regarding the relationship between informal institutions and international entry and, further, highlighted the need for substantial research in order to fully understand the context of informal institutions. In light of this assumption, the study tried to report positive empirical findings on the moderating role played by informal institutions in the context of social capital and international entry, which is the objective of this study as well.

In the context of international entrepreneurship research, the limited use of institutional theory has been documented. Peiris *et al.* (2012) highlighted that only four studies have employed institutional theory in their theoretical frameworks for understanding the context of international entrepreneurship (in our case, international entrepreneurial entry). The institutional environment basically explains two sides of the coin, i.e., either it facilitates or constrains various entrepreneurial aspirations, intentions and opportunities, which further

affects the speed and scope of new ventures' international entrepreneurial entry into foreign markets (Freixanet and Renart, 2020). Scholars have mostly discussed formal institutions in the context of international entrepreneurship, leaving a gap to explore the role of informal institutions (i.e., trust and control of corruption) in order to provide descriptions of this phenomenon as well (Szyliowicz and Galvin, 2010).

Informal institutions are defined as values, norms and codes of conduct that are embedded deeply in the culture of a society, and these cultural traditions impact the patterns of various entrepreneurial actions. Further, Welter and Smallbone (2003) also emphasized that these informal institutions, due to their property of being deeply embedded in society, are quite resilient to change and at the same time slow down the process due to their path dependence. In the study, we have assumed that various societal norms and values have a significant role to play in the context of international entrepreneurship. This leads to our research question, in which we examine how societal values, in our case trust and control of corruption, which we defined as informal institutions, predict international entrepreneurial entry.

Following the introduction, the paper is structured as follows. First, a brief overview of literature on social capital, international entrepreneurial entry, and informal institutions in the context of new ventures is provided and hypotheses are listed. Secondly, the methodology of the research is explained, and the results are presented, and finally the article concludes with implications for the context of social capital and international entrepreneurial entry and highlights that the value of informal institutions cannot be overstated.

## LITERATURE

### **Social Capital and International Entrepreneurial Entry**

Generally, social capital can facilitate the entry of an entrepreneurial venture into the international market and its success (Shahid, 2020; Granovetter, 1973). As firms initiate, deepen and establish their contacts while in the process of internationalization, the activity of an entrepreneurial firm can be viewed as developing and accessing social capital (Johanson and Vahlne, 2006). Various scholars (Yli-Renko *et al.*, 2002) have explained the concept of social capital and highlighted that it is a significant contributor in a firm's acquisition of knowledge, market competitiveness and internationalization. Yet when considering the significance of entrepreneurial orientation in the context of internationalization, most firms suffer initially in achieving a better performance due to the absence of a valuable resource like social capital (Hitt *et al.*, 2001). The concept of social capital is defined as "an aggregate of actual and potential resources possessed by the entrepreneurial ventures from within their network of relationships" (Nahapiet and Ghoshal, 1998) and has a significant role to play in the process of international

entrepreneurial entry (Chetty and Agndal, 2007). As ventures in their initial stages are subjected to the liability of being small and new, it becomes difficult for them to survive and move toward internationalization. Further, for new ventures one of the effective means to develop internationally is through the acquisition of valuable resources available from within the network of relationships (Jiang *et al.*, 2018), instead of focusing on acquiring resources through internationalization (Oviatt and McDougall, 1994).

In order to determine the extent of international entrepreneurial entry, access to tacit knowledge is crucial (Vida, 2000), which in turn can be acquired from, within and through the network of relationships. Further, entrepreneurial social capital also facilitates in selecting the right market to enter and provides various suitable choices of entry mode when small ventures plan for their international entrepreneurial entry. There is also a rapid increase in accepting the influence of entrepreneurial social relationships on the internationalization of small firms. In this context it has been found that specifically access to external sources of social capital (i.e., buyer-supplier) has a significant role to play in the process of exporting to the international market (Shahid, 2020; Bonaccorsi, 1992). Therefore, access to the network of relationships facilitates new ventures in expanding their social capital (Yan and Guan, 2018), and at the same time provision of indirect access to resources facilitates in reducing the transaction costs incurred in case of exchange and production (Chetty and Agndal, 2007). We postulate the following based on the significance of social capital in the context of international entrepreneurial entry:

**H1:** Social capital and international entrepreneurial entry possess a positive link.

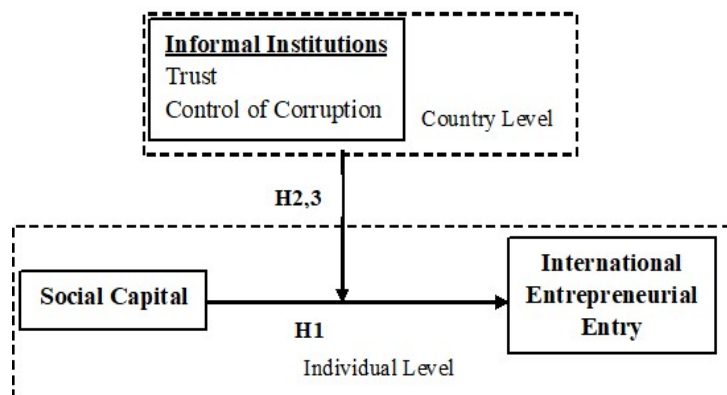


Figure 1 Research model

### Social Capital, International Entrepreneurial Entry and Informal Institutions

Relatively well-grounded rules, community-based norms and cognitive structures explain the institutional environment of a country (Scott, 1995), which further assists in defining

“rules of the game” (North, 1990: p. 1) in society. These institutions, in the form of structural frameworks, shape the governance of making economic decisions and the activities to be carried out in the marketplace (Szyliowicz and Galvin, 2010; Yeung, 2002). Like any other economic activity, entrepreneurship has been discussed in light of both formal institutions (rules and regulations) and informal institutions such as norms and values (Baumol, 1990). Generally, entrepreneurs are indeed embedded in the institutional environment and are the products of their socio-cultural environment (Jones and Conway, 2004). There is a mixed set of findings when it comes to deciding about international entry in the varying institutional environment context; several studies have found that international entry is negatively affected by the informal institutional environment (e.g. Erramilli and Rao, 1993), while a few have found a positive relationship (e.g. Anand and Delios, 1997), and a few others have found either a mixed (e.g. Chang and Rosenzweig, 2001) or insignificant (e.g. Luo, 2001) impact. But in the current study, we focused on trust and control of corruption as components of the informal institutional environment that have a positive impact on international entry. As scholars have also highlighted, prevalence of a high level of trust in institutions and amenability with norms can further lead to lowering the level of corruption in a society (Kay and Hagan, 2003; Tantardini and Garcia-Zamor, 2015). Building on this point, we further explain our informal institutional variables, i.e., trust and corruption, in detail below.

### ***Trust***

In recent years, there has been an increasing interest among entrepreneurship scholars in studying the role played by trust (Hohmann and Welter, 2005; Welter and Smallbone, 2006), leading towards identifying the cause of its growing popularity in entrepreneurship. Various studies have identified trust as a crucial component when it comes to starting new businesses; this includes research on the relationship with business angels and venture financiers (Maxwell and Levesque, 2011; Startling *et al.*, 2011), franchising (Davies *et al.*, 2011), or the buyer-supplier relationship (Sengun and Nazli Wasti, 2009), and specifically the role played by trust in the process of internationalization of new ventures (Fink and Kessler, 2010). Some scholars see trust as an essential prerequisite for various enterprise-related procedures such as information and communication technology adoption (Beckinsale *et al.*, 2011) and knowledge transfer (Lockett *et al.*, 2008). Most of the time, discussion related to trust in the context of entrepreneurship focuses on two major areas, networks and social capital; Brunetto and Farr-Wharton (2007) mentioned these social relations as being considered a proxy for personal trust. Some scholars (Anderson *et al.*, 2007; Kim and Aldrich, 2005) believe that trust renders support for social network relations, whereas networks provide significant support in identifying and creating opportunities (Jack and Anderson, 2002). Notably, in the internationalization of new ventures, trustful relationships serve as a facilitator in maintaining and developing long-lasting relationships (Rodrigues and Child, 2012). Further, these trust-centred relations are helpful in reducing the transaction cost associated with monitoring and consultations

(Blomqvist *et al.*, 2008). Various scholars (Brunetto and Farr-Wharton, 2007; Rodrigues and Child, 2012) have mentioned considerable advantages associated with trust-based relations; they provide motivation, relevant knowledge, underlying opportunities, and protection against the associated risks of being small and new to the international market.

Situations where formal constraints are lacking or missing give rise to the significance of informal institutions because in such a context, a specific segment and/or a particular societal group is ignored by mainstream society. Informal social contacts have frequently played a significant role by assisting entrepreneurs in various tasks such as managing resources and by providing guidance through highly bureaucratic systems, for coping with the various restrictions imposed by them (Ledeneva, 1998; Smallbone and Welter, 2001). This further highlights the significance of social capital, which is embedded in informal institutions, in order to enter the international market and for the subsequent expansion and progress of a business. Further, the concept of new venture internationalization is broadly understood by the theory of internationalization, which argues that the impact of various social, economic and technological factors forces new firms to venture into the international market immediately after their inception (Muralidharan and Phathak, 2017). And firms under this model do not follow the gradual incremental process of internationalization (McDougall and Oviatt, 2000).

From the perspective of McKeever, Anderson and Jack (2014), social capital has been considered as an important influential factor in the context of entrepreneurship. Social capital is characterized by various social contacts that allow entrepreneurs to cooperate with other individuals in order to help their businesses to enter international markets. In this viewpoint, the entrepreneurial context encompasses various resources and contacts which are subjected to change while going through the various phases of entrepreneurial processes, i.e., entering the international market will require a different level of contacts. As initially it is difficult for entrepreneurs to predict which contacts and institutions will be helpful for them, an informal institutional environment with a high level of trust will reduce the uncertainties in contacts. Further, in the internationalization of a venture, entrepreneurs are persistent in building trust and cooperation with their social contacts, which also helps them in mobilizing various resources (Chetty and Agndal, 2007; Cheung, 2004; Oviatt and McDougall, 2005; Rodrigues and Child, 2012). We postulate the following based on the relevance of trust as an informal institution in the interaction between social capital and international entrepreneurial entry:

**H2:** Trust positively moderates the association between social capital and international entrepreneurial entry.

### ***Control of Corruption***

Corruption tends to appear in studies related to the societal institutional environmental context (Tantardini and Garcia-Zamor, 2015). Inefficiency in institutions might affect entrepreneurship (Douhan and Henrekson, 2010), including the informal factor of

corruption, which can affect the perception of an entrepreneur and his motivation for establishing a new business. Furthermore, corruption favours strong established firms which may take advantage of various public resources in order to increase their benefits; at the same time, it creates hurdles for newly established businesses. Additionally, in societies where individuals tend to move away from legal processes, it eventually gives rise to illegal and unethical behaviour, and with the passage of time it becomes a normal practice followed by individuals in general (Axelrod, 1986). In a similar context, this behaviour further flourishes as a permanent social norm in society, forcing individuals to opt for unlawful business practices as a normal way of getting their activities done (Paxton, 1999). On the contrary, control of corruption being analyzed as an informal institution tends to improve entrepreneurs' perception of the incentives associated with establishing new businesses locally or internationally (Aparicio *et al.*, 2016). So the point is that a large amount of corruption control mechanisms is mostly present in developed countries as opposed to developing countries (Siddiqui, 2019; Escandon-Barbosa, 2019). Further, the importance of controlling this informal institutional factor of corruption can be seen in the creation of new businesses with higher added value (Escandon-Barbosa, 2019).

Generally, it instinctively seems apparent that there exists a strong link between social capital and corruption at the institutional level, explaining the scenario in which people tend to be more honest when experiencing a lower level of corruption (Gorsira *et al.*, 2018; Bjørnskov, 2003), even though in research on social capital and control of corruption, the direction of causality is less clear compared to studies related to their direct association. Therefore, corruption is considered lower in a society where honesty and trust prevail and vice versa (Paldam and Svendsen, 2002; Uslaner, 2001). Apart from the distortion in individuals' perception and the inefficiency in the bureaucratic governance structure created by corruption (Méon and Sekkat, 2005), it can have some positive effects on entrepreneurial activity (i.e., international entrepreneurial entry in our case) when it is controlled (Alvarez and Urbano, 2011; Wennekers *et al.*, 2005) by the governing institutions. Further, one meta-analytic study specifically explained the moderating role of control of corruption (Doucouliagos and Ulubasoglu, 2008) in the growth and development of society (Kaufmann *et al.*, 2008). Therefore, considering its positive aspects, control of corruption in society will increase the likelihood of future entrepreneurs taking a larger portion of the revenues they generate, which will further motivate them to carry out better international entrepreneurial entry (Alvarez and Urbano, 2011). Therefore, it stands to reason that an improvement in corruption control should have a greater impact in a situation where corruption is high than where it is low (Anokhin and Schulze, 2009). We postulate the following based on the relevance of corruption control as an informal institution in the interaction between social capital and international entrepreneurial entry:

**H3:** Control of corruption positively moderates the association between social capital and international entrepreneurial entry.

## METHODOLOGY

In our study the theoretical framework consists of two main levels: an individual level and a country level. This is also depicted in Figure 1. We tested the three hypotheses related to social capital and its effect on international entrepreneurial entry with the moderating role of informal institutional variables in combination, which makes our theoretical framework a multi-design model. The Global Entrepreneurship Monitor's adult population survey (APS), which provides data that is reliable, valid and rich (Shahid, 2020; Reynolds *et al.*, 2005), was used for conducting cross-country research, to observe the behaviour of an entrepreneur at an individual level, i.e., social capital and international entrepreneurial entry. GEM provides significant data on social capital and foreign market entry in an adult population survey, and we used data from 2002-2013 for our study which is also publicly available on its official website ([www.gemconsortium.org](http://www.gemconsortium.org)). The Global Entrepreneurship Monitor initiative began in the late 1990s with a goal of gathering individual-level (APS) data from various nations around the world and it is now made available to the public every year (Bosma, 2013). Each country is represented by a sample of at least 2000 people (aged 18 to 64) who are interviewed by phone or in person on a regular basis. International entrepreneurship research mainly relies on GEM due to the depth and richness of its data (Bowen and De Clercq, 2008; McMullen *et al.*, 2008; Elam and Terjesen, 2010).

For our informal institutional variables at the country level, the data for trust is taken from the World Values Survey (WVS) over the period of 2002 to 2013, which is covered in wave 4 to wave 6. And further, the data for control of corruption is taken from World Governance Indicators (WGI), a project of the World Bank (World Bank, 2004; 2007). Further, we merged the individual-level data with the country-level data, which provided 482,257 observations and covered 44 countries from 2002 to 2013. Details of mean values for each participating country are provided in Table 1. More importantly, the overall data is anchored by GEM in such a way that if relevant data for individual-level variables is available for a particular country in a particular year in GEM, then the data is gathered for country-level variables, i.e., control of corruption and trust, from WGI and WVS sources respectively for the same country in a particular year as well.

### **Individual-level Dependent Variable International Entrepreneurial Entry**

International entrepreneurial entry is employed as the dependent variable in the study, with the early-stage entrepreneur being asked "to estimate the proportion of clients who live outside his/her country" (Muralitharan and Pathak, 2017; Shahid, 2020).

Table 1

<b>Descriptive Statistics</b>					
	<b>N</b>	<b>Mini- mum</b>	<b>Maxi- mum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>International entry</b>	482257	.00	1.00	.0395	.19473
<b>Social capital</b>	482257	-2	1	.37	.490
<b>Age</b>	482257	18	64	40.59	12.656
<b>Gender</b>	482257	1	2	1.50	.500
<b>Education</b>	482257	-2	1720	943.58	603.390
<b>Income</b>	482257	1	3	2.05	.808
<b>Trust</b>	44	4.1	73.7	23.836	14.3881
<b>Control of corruption</b>	44	-1.132	2.552	0.772	0.938
<b>GDP per capita ppp</b>	44	2998	77429	26026.30	12345.035
<b>Zscore (GDP growth)</b>	44	-1.48339	3.94606	-.1384008	.94336885
<b>Population_total</b>	44	3331043	1350695000	107143851.78	229250407.073
<b>Population growth (%)</b>	44	-98.926	12539.257	1212.632	2451.845

GEM classifies entrepreneurs into three broad categories. The first category comprises “**nascent entrepreneurs**”, which includes those individuals who are in the process of making an attempt to start a business (i.e., in the conception stage) and have expectations of full or part-time ownership. The second category comprises “**new entrepreneurs**”, who are defined as “startup owner/managers who have paid wages for 3 to 42 months”. Finally, the third category comprises “**established entrepreneurs**”, who are defined as “individuals who have been in a company for more than 42 months and have paid wages”. According to the TEA (Total Entrepreneurial Activity), we focused on the early-stage entrepreneur index (as nascent and new entrepreneurs) involved in a significant amount of foreign trade. We explicitly measured foreign entrepreneurial entry as whether at least 25% of their customers were located overseas (Shahid, 2020; Chen *et al.*, 2018). Only those businesses with at least a quarter of their customers residing overseas (i.e., 25%) were chosen.

### **Country-level Predictor Variable Informal Institutions (Trust and Control of Corruption)**

Previously, various studies have used trust and control of corruption at the country level (Alvarez and Urbano, 2011; Anokhin and Schulze, 2009; Hohmann and Welter, 2005; Welter and Smallbone, 2006), and mainly two informal institutional variables, i.e., trust and control of corruption at the country level, are used in our study as well. The data for trust is obtained from the WVS over the period of 2001 to 2013. In order to measure the variable trust, WVS uses the following question: “Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?” Further, control of corruption data has been extracted from the outlet of Worldwide Governance Indicators (WGI), which is a project of the World Bank (Kaufmann *et al.*, 2008; World Bank, 2004; 2007). The WGI data is based on 31 diverse sources provided by 25 different organizations and, therefore, it characterizes the broader scope of diverse stakeholders. In the analysis all the scores range within a negative score of 2.5 (low control) and a positive score of 2.5 (high control), where higher scores indicate a better outcome of the corresponding institution. In the study, control of corruption apprehends the degree to which a public authority is being utilized for gaining private advantage as well as creating conditions for privileged and private interests (Alvarez and Urbano, 2011).

### **Individual-level Independent Variable Social Capital**

The data for social capital and international entrepreneurial entry was estimated at the individual level using data from the Global Entrepreneurship Monitor (GEM) adult population survey (APS) database and the countries were chosen accordingly; additionally, a cross-sectional panel dataset was used in the study. In the GEM adult population survey each participating country interviews a randomly selected sample of people aged 18 to 64. GEM asks entrepreneurs the following question to assess social capital: “Do you know anyone personally who has established a business in the last two years?” (Global Entrepreneurship Research, 2013). During the period of 2002-2013 entrepreneurs in our sample of 482,257 indicated the presence of experienced individuals they know personally from 44 different countries.

### **Control Variables**

The study included a range of control variables at both the individual and country levels, which have previously been identified as the major antecedents for performing multi-level research in the setting of institutions and behaviour (Boudreaux *et al.*, 2019; Raza *et al.*, 2018; Schott and Sedaghat, 2014). Individual-level control variables included age, gender, education and household income, which have been utilized extensively in cross-country entrepreneurship studies (Estrin *et al.*, 2013; Lloyd-Reason and Mughan, 2002; Van Stel *et al.*, 2007). Entrepreneur’s age was used as a continuous variable from 18 to 64 years old;

next, the variable gender was used as a dichotomous variable representing 1=male and 0=female; education was controlled as a five-step categorical scale with none =0, some secondary=1, secondary=2, post-secondary=3, and graduate experience=4; finally, household income was divided into three categories: low average=1, average=2, above average=3. Taking into account the literature on the country's economic development level and several indices of entrepreneurial behaviour (Boudreaux *et al.*, 2019), we used GDP per capita, GDP growth, population and population growth from the World Bank data collection as our control variables at the country level.

## RESULTS

Here we keep in view the aim of the present study, which is to develop a better understanding of the informal institutional factors corruption, taken from World Governance Indicators (WGI), and trust, taken from the World Value Survey (WVS), at the country level, influencing the relationship between entrepreneurial ventures' social capital and their ability to reach the foreign market. Table 1 depicts a summary of sample descriptives of the study. Tables 2a and 2b further depict the matrix of correlation for the predictors at the individual level and the country level and also the controls utilized in the study. And finally, Table 3 shows the regression results from our research.

Table 3 depicts the random effect logistic regression models for new ventures' foreign entrepreneurial entry. In order to examine our hypothesis, a three-step strategy was adopted. In order to assess the fraction of explained variance, we first included all control variables present at both the individual and country levels. All of the predictors were introduced in the next phase so that their influence on international entrepreneurial entry could be estimated (see Table 3, Column 2). Finally, in the last step each interactional term for the institutional (country-level) dimension was included (see Table 3, Column 3 and Column 4). The interaction was carried out by multiplying the institutional indicators at the country level, i.e., trust and control of corruption respectively; two interaction terms for international entrepreneurial entry were created using individual-level social capital.

Table 3 (Column 1 and 2) shows the results of odd ratios (OR), which explain the phenomena as follows:  $OR > 1$  depicts a positive relationship and  $OR < 1$  depicts a negative relationship. Further, Table 3 (Column 3 and Column 4) reports the odd ratios in order to explain logistic regressions' mixed effects. People with a high level of social capital ( $OR > 2.91$ ) represent entrepreneurs who are more likely to enter the international market compared to those who possess a low level of social capital, and H1 (individual-level hypothesis) is supported, stating that social capital possessed by an entrepreneur and international entrepreneurial entry have a significant positive association.

Finally, to investigate hypothesis H2 and hypothesis H3, two cross-level moderation effects were introduced between a) social capital and trust and b) social capital and control

of corruption (Table 3, Column 3 and Column 4). The findings depicted in Table 3 for the moderating role performed through the interaction between a) social capital and trust (OR=1.14;  $p<0.02$ ) and b) social capital and control of corruption (OR=1.13;  $p<0.02$ ) reveal a positive and significant relationship, which provides support to our hypothesis H2 and hypothesis H3, respectively.

## CONCLUSION

1. In the current study, investigation is carried out specifically emphasizing the role of trust and control of corruption in the context of social capital and international entrepreneurship. The study explains that entrepreneurs with strong social capital in a society with a better control of corruption and greater level of trust will be associated with a higher level of international entrepreneurial entry. Generally, it is argued that, along with the transaction costs and various other unproductive consequences of corruption, a low level of trust in the corrupt environment limits the scale and scope of economic activity (Wintrobe, 1995) and therefore leads to a reduction in the incentives for the entrepreneur to pursue international activity (i.e., international entrepreneurial entry).
2. Within the institutional context, policy-makers have mainly concentrated their attention on studying formal institutional factors, which are not sufficient to analyze international entrepreneurial activity (Stephan and Uhlaner, 2010); there is a need to study the other side of institutional environmental factors, which are defined as informal institutions. Therefore, the findings of our study have implications for policy-makers concerned with supporting early international entrepreneurial entry by exerting influence on informal institutions. Typically, these informal institutions are subjected to change slowly over a period of time (Estrin *et al.*, 2012) and, due to their rigidity and strong embeddedness, are difficult to alter as well. International entrepreneurial entry, as a key factor of economic growth (e.g., Schumpeter, 1934), requires policies that can remedy the missing norms hampering various entrepreneurial outcomes. Many governments are establishing various plans that are aimed at encouraging early international entrepreneurial entry, e.g., the National Science Foundation in the USA, by encouraging young entrepreneurs to carry out feasible business ventures.
3. The present study has focused attention on describing the trend of international entrepreneurial entry across various countries using data from GEM, but in the future, a study could be conducted to examine the phenomenon of home and host country or the developing and developed country context, since the level of trust, control of corruption and various other informal institutional factors may also fluctuate with a country's level of economic development. Further, entering the foreign market entails a complete set of processes that are divided into the early stage or introduction phase, the growth phase, and the breakout phase (Gabrielsson *et al.*, 2008); therefore, future research could focus on studying the informal

institutional context to observe whether international entrepreneurial entry is affected differently.

4. Finally, the study opens an avenue to examine effects of the informal institutional context on the international entrepreneurial entry of new ventures. The formal institutional context has already received a lot of attention from scholars, but the informal institutional context has been studied less so far and, specifically, empirical evidence is quite scarce (Muralidharan and Pathak, 2017). The study contributes to stating the positive effects of informal institutions on international entrepreneurial entry within the context of social capital possessed by entrepreneurs.

Table 2a

**Correlation matrix – individual-level correlations**

	1	2	3	4	5	6
<b>International entry</b>	1					
<b>Age</b>	-0.042	1				
<b>Gender</b>	-0.040	0.012	1			
<b>Income</b>	0.057	-0.020	-0.093	1		
<b>Education</b>	0.057	-0.134	-0.022	0.218	1	
<b>Social capital</b>	0.114	-0.123	-0.097	0.109	0.083	1

Table 2b

**Correlation matrix – country-level correlations**

	1	2	3	4	5	6	7
<b>International entry</b>	1						
<b>GDP</b>	-0.015	1					
<b>GDP growth</b>	-0.013	0.947	1				
<b>Population</b>	-0.014	-0.265	-0.231	1			
<b>Population growth</b>	-0.043	-0.313	-0.242	0.670	1		
<b>Trust</b>	-0.018	0.554	0.601	0.275	-0.019	1	
<b>Corruption</b>	-0.001	0.815	0.837	-0.302	-0.295	0.487	1

Table 3  
**Predicting individual-level new venture international entrepreneurial entry**

	1	2	3	4
<i>Fixed Part Estimates</i>				
<b>Control Variables (Individual level)</b>				
Age	0.99*** (0.00)	0.99*** (0.00)	0.99*** (0.00)	0.99*** (0.00)
Gender	0.60*** (0.01)	0.65*** (0.01)	0.65*** (0.01)	0.65*** (0.01)
Education	1.00*** (0.00)	1.00*** (0.00)	1.00*** (0.00)	1.00*** (0.00)
Household income	1.25*** (0.01)	1.18*** (0.01)	1.18*** (0.01)	1.18*** (0.01)
<b>Control Variables (Country-level)</b>				
GDP per capita	1.61*** (0.11)	2.05*** (0.15)	2.05*** (0.15)	2.06*** (0.15)
GDP growth	1.20*** (0.08)	1.21** (0.08)	1.22*** (0.08)	1.22** (0.08)
Population	1.23* (0.19)	1.38* (0.21)	1.36* (0.21)	1.37* (0.21)
Population growth	0.85+ (0.13)	0.85+ (0.13)	0.85+ (0.13)	0.85+ (0.13)
<b>Main Effects (Individual level)</b>				
Social capital		<b>2.91*** (0.05)</b>	2.94*** (0.05)	2.91*** (0.05)
<b>Main Effects (Country level)</b>				
Trust		0.84*** (0.03)	0.78*** (0.03)	0.85*** (0.03)
Control of corruption		0.80+ (0.07)	0.89+ (0.07)	0.83* (0.07)
<b>Cross-level Interaction Terms</b>				
Social capital X trust			<b>1.14*** (0.02)</b>	
Social capital X control of corruption				<b>1.13*** (0.02)</b>
<b>Random Part Estimates</b>				
Number of observations	482257	482257	482257	482257
Number of groups (countries)	44	44	44	44
<b>Model Fit Statistics</b>				
Degree of freedom (no. of variables)	8	11	12	12
Chi-square	3596.55	7765.80	7809.86	7809.46

Prob > Chi-square	***	***	***	***
Log likelihood	-73850.38	-71548.30	-71511.25	-71521
LR test for goodness of fit	***	***	***	***

Notes: ORs in Columns 1-4 that are greater than 1 indicate a positive relationship, while ORs that are less than 1 indicate a negative association. In Parenthesis standard errors are indicated. The hypothesis is highlighted in bold. After a two-tailed test all significance is presented as, \*\*\* p < 0.001, \*\* p < 0.01, \* < p 0.05, + < p 0.1

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