

# The Social Environment in the Development of Entrepreneurial Idea Generation and Development

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## Abstract

The role of the social environment for any activity is crucial as it prompts new ideas and plays a role of lever for entrepreneurial longevity and creating value through social wellbeing. The lack of entrepreneurship related knowledge in Pakistan has taken the challenge of lesser entrepreneurial activity as compared to other counterpart Asian countries and ranked 138 out of 189 countries on the level of ease of doing business. The study aims to investigate the social environment as a mediator among idea generation, business creation, financing decision and entrepreneurial activity by utilizing quantitative approach. In order to achieve the objective, a total of thirty eight items scale was self-administered for data collection. A non-probability, snowball sampling technique was employed and assembled a total of 300 complete responses through online and paper based surveys as per information provided by the chamber of commerce of three regions namely; Sukkur, Hyderabad and Karachi Sindh, Pakistan. The data analysis result strongly supported the main research question as the entrepreneurial activity increased up to 43.8% after applying social environment as a mediator. This research can help to enhance entrepreneurial activities in Pakistan by creating awareness to support entrepreneurs at social level for entrepreneurship.

**Keywords:** Mediation Analysis, Smart PLS, Social Environment, Entrepreneurship, Entrepreneurship, Entrepreneurial Activity

**JEL Classification Code:** L26, M13, M10

## 1. Introduction

The entrepreneurship in Pakistan is mainly concentrated within urban, small scale industries and micro-enterprises. In case of rural areas of Sindh province, entrepreneurship is restricted due to cultural, socioeconomic, religious and structural issues (Muhammad, McElwee, & Dana, 2017). Pakistan is facing challenge of lesser entrepreneurial activity as compared to other counterpart Asian countries such as, Sri Lanka, Bangladesh and India, and is ranked on 138 out of

189 countries on the level of ease of doing business (Shabbir, Shariff, Alshaibani, Faisal, & Salman, 2018).

The role of social environment is influential in entrepreneurial activities leading to entrepreneurial development (Amin, 2017). For instance, South African countries have shown a positive and significant role of social environment in relationship with both social entrepreneurial activities and business entrepreneurial activities (Littlewood, & Holt, 2018). Since, social network as a part of social environment support in raising entrepreneurship and helps in reduction of poverty (Wu, & Si, 2018). The challenge faced by entrepreneurs is idea generation, because recognizing idea that has potential to be developed in an appealing product makes an entrepreneurship prosperous (Ward, 2004). The ideas are output of brainstorming technique by groups organized in hybrid structures generating enhanced qualitative ideas (Girotra, Terwiesch, & Ulrich, 2010). Precisely, the socialization supports in idea generation (Baron, 2006) especially the qualitative ideas are supported by cognitive psychology from new and original arrangements of elements in existing knowledge base (Bayus, 2013).

Business creation in entrepreneurship is through two ways i.e. opportunity and necessity. The opportunity is

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pro-cyclical whereas; necessity is counter-cyclical (Fairlie, & Fossen, 2018). On an organizational level, business creation is supported by customer's collaboration and it is deemed vital in establishing new start-ups expanding business networks (Laage-Hellman, Landqvist, & Lind, 2018). For business creation in China and Korea, financing through equity (e.g. family) is more sustainable than debt financing through loan agencies (Bates, 1997). Since, debt financing is considered as an important source of capital for entrepreneurial success as it allows value creation, secure ownership rights, save taxes and reduce cost (Chua, Chrisman, Kellermanns, & Wu, 2011). Nevertheless, the problem is to warrant newness which can be attained through 'inside debt financing' (e.g., family, friends) and 'outside debt financing (e.g., banks, owner and business loans) (Robb & Robinson, 2012). Whereas; equity financing (e.g., venture capital, angel financing) typically relies on debt and external private equity. Unfortunately, the recent trend of research in entrepreneurship has not been reviewed to determine the direction of entrepreneurship and find gaps which can be addressed through future research work. The role of social support for any activity is crucial as it prompts new ideas and plays a role of lever for entrepreneurial longevity and creating value through social wellbeing.

## 2. Literature Review

### 2.1. Entrepreneurship

The word entrepreneur is taken from the French language literally meaning "the one who undertakes" or "in between taker" (Dollinger, 2008; Hindle, & Yencken, 2004). Entrepreneurship is the formation of the new entity, efforts towards the creation of feasible businesses resulting from an individual's professional choice to work for himself (Estrin, Mickiewicz, & Stephan, 2013). The entrepreneur has an ability to take risk of buying at certain prices and selling at uncertain prices (Stevenson, & Jarillo, 2007). Entrepreneurship is an adding value to society and it is the purpose of creating wealth for the individual, by doing something new and something different (Kobia, & Sikalieh, 2010; Kao, 1993). Entrepreneur control deploy resources to create an innovative network of organizations for the purpose of growth under conditions of uncertainty (Dollinger, 2008; Peneder, 2009). Entrepreneurship activity is based on theory of planned behavior comprising the interactions of attitude, subjective norms and perceived control behavior on individual intentions (Lu, & Wang, 2018).

### 2.2. Social Environment

Social environments are networks (Mazzarol, Volery, Doss, & Thein, 1999) and social norms i.e. closer valuation and social valuation (Santos, Roomi, & Liñán, 2016). The

environment (social factors), is a combination of social capital and social networks in relationship with entrepreneurial activity (Thornton, Ribeiro-Soriano, & Urbano, 2011). The major social environment variables are country's economic development, poverty, socio-spatial characteristics, rural-urban distinction, economic growth, political and social factors, geographic location or culture (García-Cabrera, & García-Soto, 2008).

The social factors (i.e. social networks and social norms), are considered social environments in this study instead of economic, political geographic and rural-urban perspectives. The structural analysts found that social networks have similar properties in different countries and no such difference found in their effect on entrepreneurship in different countries (Greve, & Salaff, 2003). For instance, the social network played its role to support establishing entrepreneurial firms (Greve, & Salaff, 2003). And social networks are defined as a set of actors (individuals and organizations) encouraging entrepreneurs to undertake business processes (Fernández-Pérez, Alonso-Galicia, Rodríguez-Ariza, & Del Mar Fuentes-Fuentes, 2015). Social norms play vital role in early stages of sustainable venturing, and enabling an environment to create value beyond profit, because it stimulates individuals' perceptions in which they behave in an improved social manner (Barazandeh, Parvizian, Alizadeh, & Khosravi, 2015).

### 2.3. Idea Generation

The cognitive views ascertain that idea generation is based on information stored in a long term memory (Toubia, & Netzer, 2016). However, idea generation is usually miscarried due to the potential hindrances in the common and accessible knowledge for specified tasks (Camarda, Salvia, Vidal, Weil, Poirel, Houde, & Casspotti, 2018). Arguments from the several experimental studies and theories specify that creative idea generation clearly involves automatic process of incubation, defocused attention or mind wandering (Camarda, Salvia, Vidal, Weil, Poirel, Houde, & Cassotti, 2018). Certainly, idea is an output of brainstorming techniques of groups organized in hybrid structure generating more ideas, qualitative ideas and better ideas (Girotra, Terwiesch, & Ulrich, 2010; Gemmel, Boland, & Kolb, 2012).

### 2.4. Business Creation

Business creation is helpful in economic development and there are two components of business creation for entrepreneurship i.e. opportunity and necessity (Fairlie, & Fossen, 2018). The longer time prosperity and economic development requires participation in entrepreneurial activities (Ribeiro-Soriano, 2017). New business start-up occurs in a hierarchical framework as de novo start-ups or as new entities in a corporate body (Venkataraman, 2019). The entrepreneurial ability to identify and exploit opportunities

are basic decisions of entrepreneurs for business creation (Read, Sarasvathy, Dew, & Wiltbank, 2016). Business creation is facilitated by social environment and specialized education (Lackéus, & Williams Middleton, 2015).

## 2.5. Financing Decision

Financing an entrepreneurial activity includes venture capital and angel capital but not limited to this because of other innovative financing techniques in the twenty first century (Kuratko, Morris, & Schindehutte, 2015). The crowd funding technique in financing entrepreneurial activity through social networking has been observed possessing strong ties in start-up and success of entrepreneurship (Vismara, 2016). The effects of organizing and assessing different financial support i.e. venture capital, corporate venture capital, angel investment, crowd funding and accelerators helped to launch meaningful entrepreneurial activities (Drover, Busenitz, Matusik, Townsend, Anglin, & Dushnitsky, 2017). In addition, financing decisions of entrepreneurs are based on the availability of financial opportunities in the market. In early stages, financing of new business mainly comprises two sources: initial capitalization and angel financing (Nofsinger, & Wang, 2011).

## 3. Theoretical Model and Hypotheses Development

An entrepreneurial mindset is an ability to sense and mobilize entrepreneurship under uncertain conditions and aids entrepreneurs becoming successful by exploiting entrepreneurial opportunities (Haynie, Shepherd, Mosakowski, & Earley, 2010). Likewise, creativity is necessary for becoming an entrepreneur (Weinberger, Wach, Stephan, & Wegge, 2018). Hence, venture idea generation leading to venture opportunity is a core construct of entrepreneurship (Vogel, 2017). Thus, based on this information following hypothesis can be suggested:

**H1:** *New idea generation has a significant relationship with entrepreneurial activity*

Business creation is an activity of bringing virtual ideas into real practice. While; the entrepreneurship is an outcome of entrepreneur's efforts to conceive new products, services and develop new ventures (Baron, 2007). The entrepreneurship comes through business creation in two situations of business cycle (e.g. pro cyclical and counter cyclical) in economics i.e. recession (necessity) and prosperity (opportunity) (Fairlie & Fossen, 2018). The new business creation receives network support in exploiting opportunities to achieve entrepreneurship leading economic development (Ribeiro-Soriano, 2017). Certainly,

entrepreneurship is creating new business in an uncertain environment (Neck, & Greene, 2011). Business incubators are the instruments to creation of new business for achieving employment and regional development in the field of entrepreneurship (Mas-Verdú, Ribeiro-Soriano, & Roig-Tierno, 2015). Hence, hypothesis H2 can be suggested:

**H2:** *Business creation has significant relationship with entrepreneurial activity.*

Financing appeared to be a critical stage in entrepreneurship as it covers several sources of debt and capital such as, angel investors, venture capital, private equity, hedge funds, microfinance, and project finance etc. (Wallmeroth, Wirtz, & Groh, 2018). The women entrepreneurs are less inclined in comparison of male entrepreneurs to finance their entrepreneurship activities from outside either by debt or equity (Leitch, Welter, & Henry, 2018). There exists a relationship of financing decisions depending on the nature of entrepreneurial activity but generally the support is received by entrepreneurial activity through financing decisions (Wright, Robbie, & Ennew, 1997). Further, innovation, modernization and internationalization of entrepreneurial firms require financing from various sources of debt and equity, because the entrepreneurial activity has been identified to depend on financing even in its start-up operations (Block, Colombo, Cumming, & Vismara, 2018). Contrary in case of social entrepreneurship intentions there is no any direct relationship of perceived access to finance (Luc, 2018). So following hypothesis has been proposed:

**H3:** *Financing decisions have a significant relationship with entrepreneurship.*

Social environment comprises subjective norms measured by the perceived social pressure from family, friends or significant others to perform entrepreneurial behavior (Ajzen 1991). It is actually the perception that people may or may not approve the decision to become an entrepreneur on the basis of social pressure. Thus, the social environment is supportive in the sense that ideas, concepts and memories are created out of social interactions (Paula, 1996). An individual generates successful ideas when the relational and structural elements of their network match the needs at this phase of creating business ideas (Perry-Smith, & Mannucci, 2017). The social capital as a part of the social environment is considered as a connectedness, networks and groups (Pretty, & Ward, 2001). Therefore, the role of social environment mediated successfully the relationship of decision time and reciprocity, as well as moderates the relationship between decision time and cooperation (Nishi, Christakis, Evans, O'Malley, & Rand, 2016). Following hypothesis H4 can be proposed based on above information:

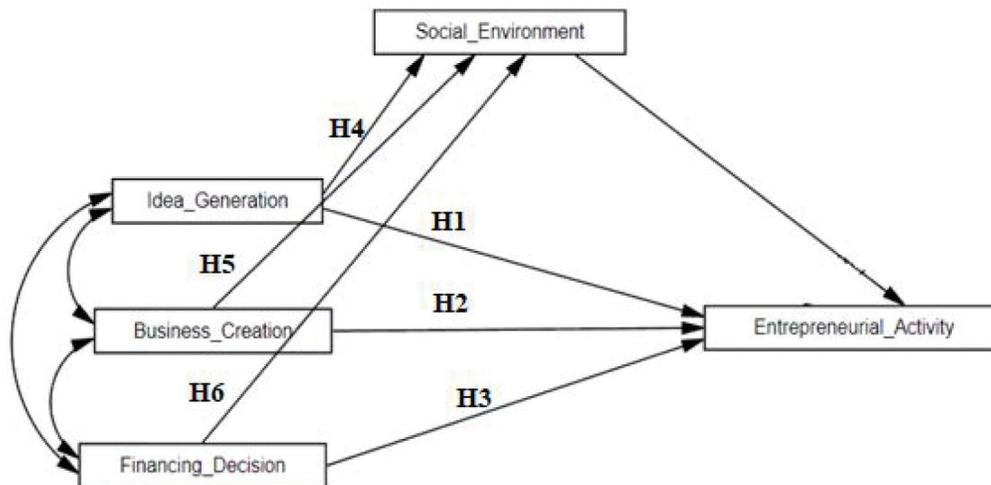


Figure 1: Conceptual Model

**H4:** Social environment has a significant role in the relationship between idea generation and entrepreneurship.

Entrepreneurship seeks to understand how opportunities may be brought into existence, future goods and services can be discovered, created and exploited (Venkataraman, 2019). The understanding of underlying factors such as culture, beliefs and social values in entrepreneurship is deemed necessary because these are configured with entrepreneurship in economic growth (Aparicio, Urbano, & Audretsch, 2016). In accordance with 'Global Entrepreneurship Monitor' (GEM), an entrepreneurial activity is derived from measures that allow the measurement of new business creation regarding social context (Urbano, & Aparicio, 2016). Social networks have similar properties in different countries and no such difference is found in their effect on entrepreneurship due to the difference of countries (Greve & Salaff, 2003). The importance of social networks entails that when entrepreneurs are connected with others willing to provide resources, the probability of opportunity exploitation is enhanced (Perry-Smith, & Mannucci, 2015). Thus, related to the relationship of social environment in business creation, the following hypothesis can be drawn:

**H5:** Social environment has a significant role in the relationship between business creation and entrepreneurship.

Financing decisions are the reason for success or failure of entrepreneurial firms (Raina, 2017). The financing of entrepreneurs consists of various means, i.e. personal savings, family or friends' funding. However, these funds are not sufficient for entrepreneurial ideas to get started. Usually, business generates sufficient income which leads

entrepreneurs to get funding through debt financing, angel financing or equity financing from externals (Olaewaju, Adebisi, & George, 2018). The businesses started with novel ideas usually receive easy external financing for the establishment of entrepreneurial firms (Olaewaju, Adebisi, & George, 2018). But, contradictory results were found when financing students with external resources were unable to pay back from their entrepreneurial activities (Krishnan, & Wang, 2019). That is all about the social environment in financing concerns of entrepreneurship, because entrepreneurs getting easy access to financing are having more social interaction (Talavera, Xiong, & Xiong, 2012). Therefore, the following hypothesis on the mediating role of social environment in entrepreneurial financing can be drawn:

**H6:** Social environment has a significant role in the relationship between financing decisions and entrepreneurship.

#### 4. Research Methodology

For the purpose of achieving mediation analysis, the second-generation statistical technique structural equation model (SEM) analysis by Smart PLS was applied as it allows simultaneous modeling of relationships among dependent and independent variables (Bashir, Syed, & Qureshi, 2017; Maitlo, Memon, & Syed, 2017). The sample for this study consists of 300 entrepreneurs from three major cities of Sindh province, i.e. Karachi, Hyderabad and Sukkur. The data collected through online and personal surveys. A total number of three hundred completed questionnaires (i.e. 115 paper-based and 185 online) were received out of one thousand randomly distributed questionnaires. The sample

size kept as per assumptions of SPSS/AMOS/Smart PLS analysis i.e. minimum threshold of 200 (Arbuckle, 2010). For planned structural modeling, a minimum of 200 sample size is a requirement for credible findings (Lee, 2015). The mediation in regression and path analysis used in this study are special features of structural equation models, based on least sample size for measurement scale and residual distribution a researcher can use (Maitlo, Memon, & Kumar, 2020).

## 5. Results and Discussion

### 5.1. Respondents' Profile

The respondent's categorical information is provided in Table 1. The categorical information was divided in terms of gender, age, education, experience, and chamber of commerce registration period.

### 5.2 Reliability and Convergent Validity

The partial least square (PLS) technique was engaged to estimate the latent variables as a precise linear combination of indicators, with purpose to maximize explained variance of the indicators and constructs (Nasip, Amirul, Sondoh & Tanakinjal, 2017). The PLS algorithm permits each indicator to vary in terms of its contribution to the composite construct score (Nasip, Amirul, Sondoh & Tanakinjal, 2017). Thus, the reliability ( $\alpha$ -value) was computed to ratify the consistency and validity for the accuracy of concept (Heale, & Twycross, 2015; Noble, & Smith, 2015). Additionally, the convergent validity assessed using composite reliability (CR) and average variance extracted (AVE) (Nasip, Amirul, Sondoh & Tanakinjal, 2017). Table 2 shows the reliability values of financing decision and social environment stood above the threshold value 0.70. However, the reliability values of entrepreneurial activity, idea generation and business creation are lagged behind the threshold. Thus, the reliability value of entrepreneurial activity was achieved 0.670 after deleting three items i.e. EA\_2, EA\_5 and EA\_19.

As shown in Table 3, composite reliability of all construct(s) found above threshold limit. However, the AVE of entrepreneurial activity is lagged behind showing 'high error variance' than explained variance. Whereas; the composite reliability value of entrepreneurial activity i.e. 0.727 shown to be at par that confirms higher consistency. In addition, the AVE less than 0.50 shows error variance is greater than the explained variance. For instance, business creation has a value of 0.599 as compared to others. In order to compensate for this discrepancy, the discriminant validity ensures that each construct in measure is empirically unique and captures a phenomenon not represented by other

constructs in a statistical model (Franke & Sarstedt, 2019). Simply, it is the degree to which measures of theoretically dissimilar constructs are unrelated empirically (Shaffer, DeGeest, & Li, 2016). According to the results (see Table 3), there is a weak correlation between constructs (except for ENTA with IDGEN and SOENV) in a measure and larger square root of AVE (except ENTA) than correlations with other constructs hence satisfying the discriminant validity. Further, the convergent validity of each measurement item(s) loads with a T value at  $P < 0.05$  (Gefen & Straub, 2005).

**Table 1:** Personal and Categorical Information

Category	Profile	Total Number	(%)
Gender	Male	170	56.7
	Female	130	43.3
Age	Below 25	15	5.0
	25 - 35	42	14.0
	36 - 45	52	17.3
	46 - 55	97	32.3
	Above 55	94	31.3
Educational Level	Intermediate or less	64	21.3
	Bachelors	124	41.3
	Masters	111	37.0
	Doctorate	1	0.3
Experience	2 or less years	11	3.7
	4 years	22	7.3
	6 years	20	6.7
	8 years	66	22.0
	10 years	74	24.7
	12 or above years	107	35.7
Registration Period	1 or less years	12	4.0
	2 years	19	6.3
	3 years	56	18.7
	4 years	82	27.3
	5 years	53	17.7
	6 or above years	78	26.0

**Table 2:** Reliability results of research constructs

Construct(s)	Cronbach's $\alpha$	Items
Entrepreneurial Activity	0.670	17
Idea Generation	0.619	04
Business Creation	0.697	03
Financing Concern	0.709	06
Social Environment	0.718	08
Overall Construct		38

**Table 3:** Discriminate Validity, Average Variance Extracted and Composite Reliability

	BUCR	ENTA	FINDEC	IDGEN	SOENV	AVE	CR	p value
BUCR	0.774					0.599	0.817	0.000
ENTA	0.174	0.422				0.178	0.727	0.000
FINDEC	0.162	0.401	0.648			0.420	0.783	0.000
IDGEN	0.206	0.546	0.456	0.679		0.461	0.772	0.000
SOENV	0.099	0.538	0.367	0.373	0.603	0.363	0.800	0.000

**Table 4:** Discriminant Validity - HTMT

	BUCR	ENTA	FINDEC	IDGEN	SOCENV
BUCR					
ENTA	0.302				
FINDEC	0.257	0.461			
IDGEN	0.317	0.615	0.652		
SOCENV	0.213	0.567	0.486	0.512	

### 5.3 HTMT - A New Criterion to Assess Discriminant Validity

The heterotrait-monotrait is a new way of assessing discriminant validity in PLS and it is universally applicable to all latent variable methods because its computation does not rely on actual model estimates (Franke, & Sarstedt, 2019; Dijkstra, & Henseler, 2015) The HTMT criterion clearly outperform classic approaches such as, Fornell-Lareker criterion and (partial) cross-loadings which are usually unable to detect a discriminant validity (Ab Hamid, Sami, & Sidek, 2017). As illustrated in Table 4, there exists weak correlation among constructs except entrepreneurship with idea generation (0.615), entrepreneurship with social environment (0.567) and financing decision with idea generation (0.652). The correlation is not too strong because it is below 0.70 and it will be counted as normal which does not disturb validity of a measure.

### 5.4. Coefficient of determination (R<sup>2</sup>)

The Smart PLS path model can be seen in Figure 2. The overall R<sup>2</sup> value (i.e. 0.438) of the four constructs (i.e. IDGEN, BUCR, FINDEC, and SOENV) equally explain 43.8% of variance in the endogenous construct (i.e. ENTA) that can be termed as a moderate coefficient of determination (Wong, 2016). Also, the same model estimation also communicates the R<sup>2</sup> value(s) of other latent construct in which three constructs (i.e. IDGEN, BUCR and FINDEC) are found to be jointly explained 18.8% of variance in endogenous construct (i.e. SOENV) as shown in Table 6.

**Table 6:** Coefficient of determination (R<sup>2</sup>)

	R Square	R Square Adjusted
ENTA	0.438	0.430
SOCENV	0.188	0.180

### 5.5 Path Coefficients

The relationship between constructs can be determined by path coefficients (see Figure 3) and associated T-statistics using bootstrapping technique. The results illustrated in Table 7 are based on two-tailed tests with 1000 bootstrapping at P<0.05. Accordingly, there is a strong effect of social environment on entrepreneurship (0.365) followed by idea generation on entrepreneurship (0.356), idea generation on social environment (0.259) and financing decision on social environment (0.248). It is also observed that higher order construct i.e. social environment has a relationship with its lower order construct i.e. business creation (0.259) whereas; financing decision (0.248) explained more than 50% of the entrepreneurial activity.

### 5.6 Hypothesis Testing

Table 8 shows total effect of each independent variable on dependent and mediating variable, while Table 9 shows the specific indirect effect of independent variables through mediation on dependent variable. After compiling results from both relevant to hypotheses testing Table 10 is drawn. The hypothesis testing results found consistent with previous

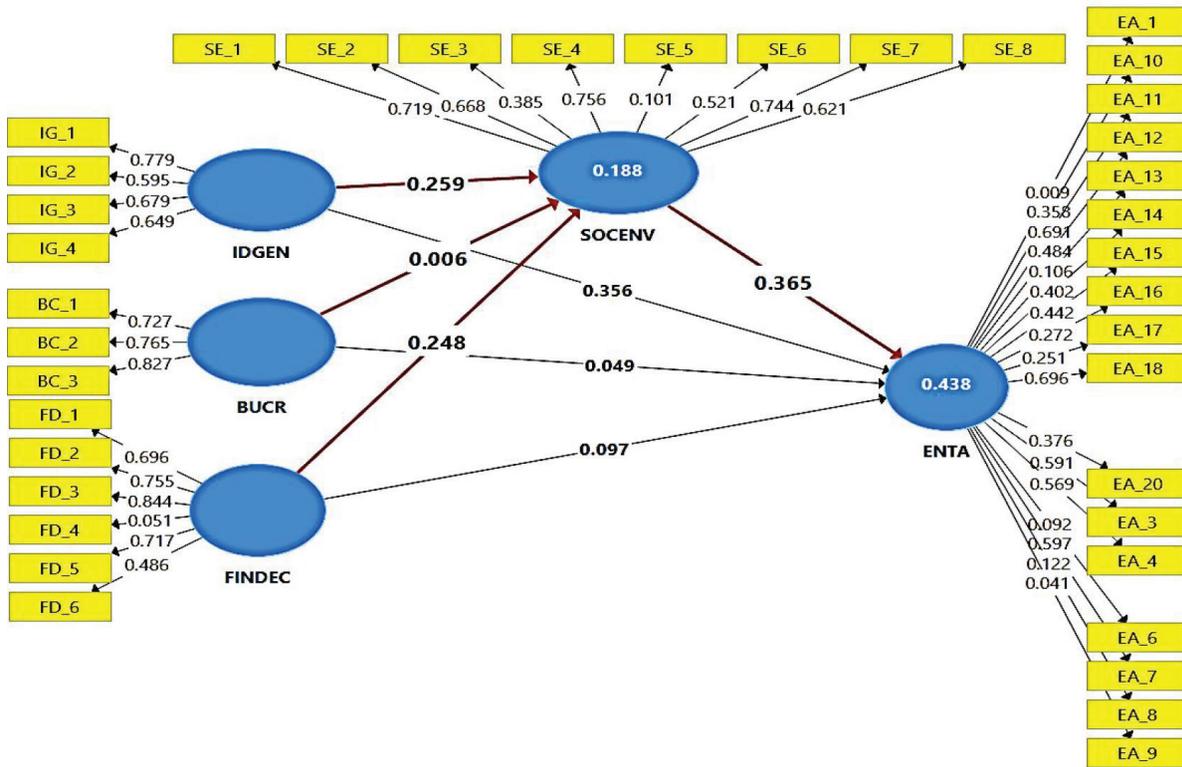


Figure 2: PLS algorithm (outer loadings)

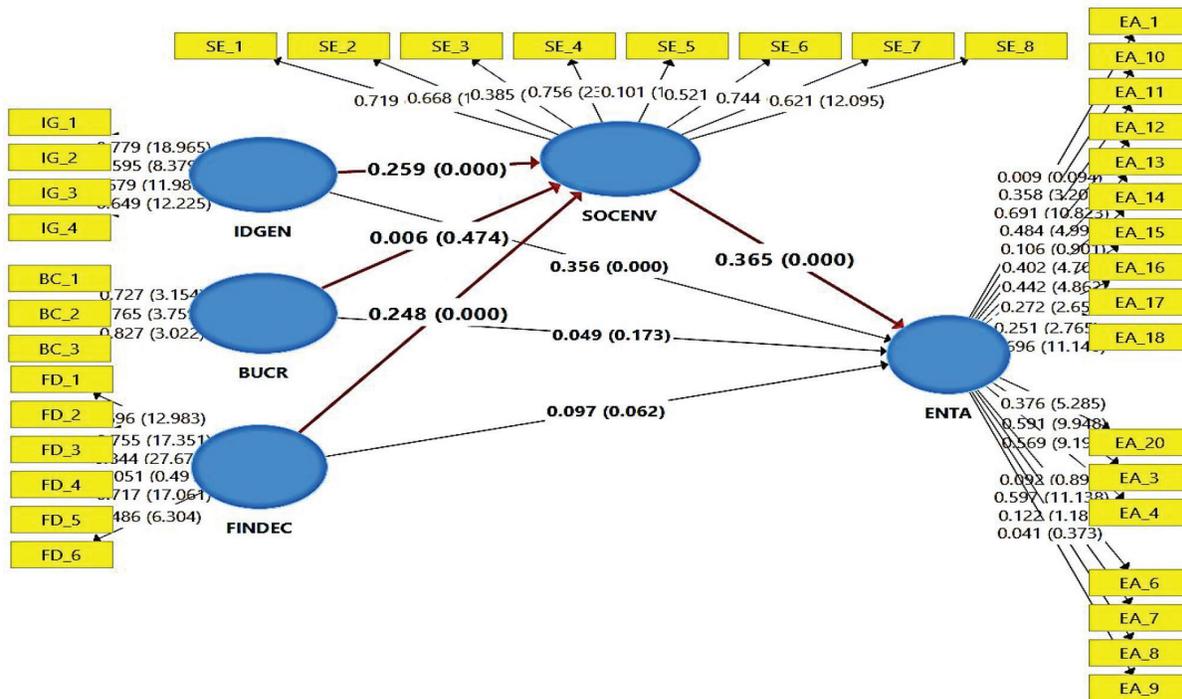


Figure 3: Path coefficient and significance level

studies in different contexts, Such as, in the first hypothesis the relationship between idea generation and entrepreneurial activities found significant at p value less than 0.05 (i.e.  $\beta$  coefficient = 0.450; t value = 3.898) (see Table 10). This implies that ‘entrepreneurial mindset’ of becoming successful entrepreneur by deploying entrepreneurial opportunities related with entrepreneurship (Haynie, Shepherd, Mosakowski, & Earley, 2010).

For instance, entrepreneurship is a value creation and this emerges from deploying capabilities through idea generation (Pryor Webb, Ireland, & Ketchen, 2016). When, this relationship of idea generation with entrepreneurial activity mediated through social environment in fourth hypothesis (IDGEN -> SOCENV -> ENTA), in order to confirm mediation (indirect) effect (see Table 09) the value of  $\beta$  coefficient is reduced to 0.094 from 0.450 at significant level less than 0.05. The same is being confirmed from literature that the role of social environment mediated successfully the relationship of decision time and reciprocity, as well as moderates the relationship between decision time and cooperation (Nishi, Christakis, Evans, O’Malley, & Rand, 2016). Further, when the path from independent variable (idea generation) to outcome variable (entrepreneurship) shrinks at significant level after the introduction of mediator (social environment) in the model then there is mediation (Green Jr, McGaughey, & Casey, 2006). The results are consistent with venture idea generations leading to venture opportunities which are core constructs of entrepreneurship (Vogel, 2017).

While second hypotheses (BUCR -> ENTA: Direct Model), business creation relationship with entrepreneurial activities found insignificant at p value above than 0.05 and along with  $\beta$  coefficient of 0.052 at t value 1.043. This does not confirm the relationship of business creation because both t value and p value are not in threshold. The results of this hypothesis are contradictory to the literature because; the impact of perceived desirability and perceived feasibility has determined a strong impact on ability to search and plan for start-up (Bui, Nguyen, Tran, & Nguyen, 2020). Also

entrepreneurship comes through business creation in two situations (pro cyclical and counter cyclical) of business cycle in economics i.e. recession (through necessity) and prosperity (opportunity) (Fairlie, & Fossen, 2018).

Further, the entrepreneurial entry is a result of the ability to identify and exploit opportunities by motivation, because these both elements are important in decision to create and start a business (Read, Sarasvathy, Dew, & Wiltbank, 2016). When this relationship mediated through social environment in fifth hypotheses (BUCR -> SOCENV -> ENTA: Indirect Model), to confirm mediation (see Table 09), it did not found any improvement and remained insignificant, because the coefficient value shrinks but at insignificant level above than 0.05. The value of  $\beta$  coefficient is reduced to 0.002 from 0.52 at t value 0.065 from 1.043 at P value 0.474. This hypothesis is also in contradiction with literature reviewed, that creation comes at a point when an individual tries to exploit opportunity and raises entrepreneurship leading to economic growth (Urbano, & Aparicio, 2016). Importance of understanding the factors i.e. culture, beliefs and social values in entrepreneurship is necessary, because these are configured with entrepreneurship in economic growth (Aparicio, Urbano, & Audretsch, 2016).

According to the Global Entrepreneurship Monitor (GEM) total entrepreneurial activity is derived from measures that allow the measurement of new business creation regarding social context (Urbano, & Aparicio, 2016). New business creation receives network support in exploiting opportunities to achieve entrepreneurship leading economic development (Ribeiro-Soriano, 2017). Because, the importance of social network entails that when entrepreneurs connect with others willing to provide resources enhance the probability of opportunity exploitation (Perry-Smith, & Mannucci, 2015). Further, business incubators are the instruments to creation of new business for achieving employment and regional development in the field of entrepreneurship (Mas-Verdú, Ribeiro-Soriano, & Roig-Tierno, 2015). But in this study we failed to receive supportive results so both 2<sup>nd</sup> and 5<sup>th</sup> hypotheses are rejected at insignificant level.

**Table 7:** Significance Testing Results (Path Coefficients)

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t- statistics ( O/STDEV )	p-values
BUCR -> ENTA	0.049	0.057	0.054	0.918	0.173
BUCR -> SOCENV	0.006	0.013	0.087	0.068	0.474
FINDEC -> ENTA	0.097	0.096	0.064	1.511	0.062
FINDEC -> SOCENV	0.248	0.250	0.064	3.890	0.000**
IDGEN -> ENTA	0.356	0.358	0.065	5.507	0.000**
IDGEN -> SOCENV	0.259	0.266	0.066	3.898	0.000**
SOCENV -> ENTA	0.365	0.371	0.062	5.868	0.000**

**Table 8: Total Effects**

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t-statistics ( O/STDEV )	p-values
BUCR -> ENTA	0.052	0.063	0.049	1.043	0.149
BUCR -> SOCENV	0.006	0.013	0.087	0.068	0.473
FINDEC -> ENTA	0.187	0.189	0.069	2.710	0.003
FINDEC -> SOCENV	0.248	0.250	0.064	3.890	0.000
IDGEN -> ENTA	0.450	0.456	0.061	7.406	0.000
IDGEN -> SOCENV	0.259	0.266	0.066	3.898	0.000
SOCENV -> ENTA	0.365	0.371	0.062	5.868	0.000

**Table 9: Specific Indirect Effect**

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t-statistics ( O/STDEV )	p-values
BUCR -> SOCENV -> ENTA	0.002	0.005	0.033	0.065	0.474
FINDEC -> SOCENV -> ENTA	0.090	0.093	0.029	3.100	0.001
IDGEN -> SOCENV -> ENTA	0.094	0.098	0.028	3.394	0.000

**Table 10: Hypotheses Testing Results based on H1, H2 . . . H6**

Hypo.	Path	* $\beta$	**t-value	***p-value	Result
H1	IDGEN -> ENTA (Direct Model)	0.450	3.898	0.000	Supported
H2	BUCR -> ENTA (Direct Model)	0.052	1.043	0.149	Not-Supported
H3	FINDEC -> ENTA (Direct Model)	0.187	2.710	0.003	Supported
H4	IDGEN -> SOCENV -> ENTA (Indirect Model)	0.094	3.394	0.000	Supported
H5	BUCR -> SOCENV -> ENTA (Indirect Model)	0.002	0.065	0.474	Not-Supported
H6	FINDEC -> SOCENV -> ENTA (Indirect Model)	0.090	3.100	0.001	Supported

\* Beta Coefficient ( $\beta$ ) \*\*  $t \geq 1.96$  \*\*\*  $p \leq 0.05$

Finally, the third hypotheses (see table 10), financing decision relationship with entrepreneurial activities (ENTA - FINDEC Direct Model), found significant at p value less than 0.05 and along with  $\beta$  coefficient 0.187 at t value 2.710. This confirms the relationship of financing decision because both t value and p value are in threshold. Same is being confirmed from literature, because there exists a relationship of financing decisions depending on the nature of entrepreneurial activity but generally this support is received by entrepreneurial activity through financing decisions (Wright, Robbie, & Ennew, 1997). The innovation, modernization and internationalization of entrepreneurial firms require financing from various sources of debt and equity, because the entrepreneurial activity has been identified to depend on financing even in its start-up operations (Block, Colombo, Cumming, & Vismara, 2018). This relationship when tested through mediation of social environment (see Table 09) in sixth hypotheses (FINDEC -> SOCENV -> ENTA: Indirect Model), the

coefficient value shrinks at significant level less than p value 0.05. The value of  $\beta$  coefficient is reduced to 0.090 from 0.1807 at t value 3.100 from 2.710 at t value 0.001. Hence, confirmed the mediation of social environment in relationship of financing decision with entrepreneurial activity because both t value and p value are in threshold. The same is confirmed from literature about the social environment in financing concerns of entrepreneurship, because entrepreneurs are getting easy access to financing, if they are having more social interaction (Talavera, Xiong, & Xiong, 2012). Similarly financing decisions are the reason for success or failure of entrepreneurial firms based on social environment (Raina, 2017). In case of women entrepreneurship less support is received in comparison of male entrepreneurs to finance their entrepreneurship activities from outside either by debt or equity (Leitch, Welter, & Henry, 2018). And, the social environment is supportive in sense that ideas, concepts and memories are created out of social interactions (Paula, 1996).

Thoroughly, the mediation of social environment in relationship of independent variables with dependent variables (see Table 9) is determined supportive instead in the relationship of BUCR and ENTA, as the relationship before and after mediation found insignificant. However, the mediation can be clearly seen in relationship of idea generation and financing decision with entrepreneurial activity through social environment as the coefficient value is decreased from 0.450 (IDGEN → ENTA) to 0.094 (IDGEN → SOCENV → ENTA) at significant level less than 0.05. And in the relationship of financing decision with entrepreneurial activity found significant as the coefficient value is decreased from 0.187 (FINDEC → ENTA) to 0.090 (FINDEC → SOCENV → ENTA). Finally, the mediation of social environment found significance in two stages i.e. idea generation and financing decision and insignificant in business creation.

## 6. Conclusion

To achieve the objective of study i.e. role of social environment in new idea generation and business development, two stages testing conducted, to determine relationship of independent variables with dependent variable and mediation. Formerly the three independent variables (idea generation, business creation and financing decision) impact on dependent variables (entrepreneurial activity) determined by performing structural equation modeling through Smart PLS. Later social environment was introduced as a mediating variable in the relationship of independent variables with dependent variables. Results achieved through algorithm and bootstrapping of data collected from 300 respondents. The entrepreneurs classified into different categories, in this study are sampled from the population of registered business in chamber of commerce from three major cities of Sindh i.e. Karachi, Hyderabad and Sukkur.

The analysis results are based on reliability, validity, path coefficient, coefficient of determination (R square), and significance level. The most of constructs achieved threshold limits needed to fitness indices and significance level except few explained in the analysis part of this study. The results found consistent with literature because the conceptualization of environment comprises two major approaches, i.e. source of information and stock of resources (Lumpkin & Dess, 2001). And nationwide environmental capacity to encourage start-ups combined with motivation and skills of individuals wishing for entrepreneurship (Acs, 2006). The skilled entrepreneurs in social networking have relationship building, brokering, pattern generation, knowledge, resource brokering, and network recharging (Moore, & Westley, 2011). The characteristics of social network communications are sharing of information among peoples, exchange content

or goods and services in expectations to attribute special characteristics from others (Zimmer, 1986). It is known that entrepreneurs have an idea but they need resources to start a business or test an idea and some knowledge and competence to run the business, while these resources, knowledge, and competencies are part and parcel of the social environment (Greve, & Salaff, 2003). Certainly, the social factors, as well as cultural factors, influence the decision to create a new business with a new idea (Thornton, Ribeiro-Soriano, & Urbano, 2011). This helps in enhancing entrepreneurial activities, which help enhancing corporate capabilities (Yi, Han, & Cha, 2018).

Also, the developed conceptual model (mediation of social environment in relationship of idea generation, business creation and financing decision with entrepreneurial activity), based on extended literature review, achieved the objective of determining role of social environment in entrepreneurial idea generation and financing decision through mediation, except the hypothesis of business creation directly and indirectly (through social environment).

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