

A Closer Look at the Relationship Between the Social Capital of Low-Wealth
Entrepreneurs and Access to Financial Resources

A paper submitted by

Colleen Casey, Ph.D.

Assistant Professor, School of Urban and Public Affairs

University of Texas at Arlington

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ABSTRACT

Previous findings suggest that social networks are complex, and the resources they possess may work in different ways for actors based on their race, ethnicity, gender and wealth. I draw upon the positional approach to conceptualize the effects of social networks on access to financial resources, which argues the ability of networks to facilitate action is contingent upon the stock of social resources available within the network. Whether one's social network is composed of "rich" or "limited" social resources may influence whether or not one gains access to financial resources, as well as the sources of financial resources available to them, formal (banks, venture funds) or informal (personal, family, or friends). This suggests that groups historically at a disadvantage may be more likely to access formal financial resources when their network is composed of upward-reaching ties. If this is the case, community organizations have an important role to play in connecting individuals to the resources available in other networks.

INTRODUCTION

Recently, political leaders and policymakers have thrust the monolithic concept of small business into the spotlight, arguing that there is a need to stimulate access to credit and remove regulatory barriers in order to facilitate small business development and growth. These calls have led to a proliferation of proposed policies and programs aimed at these ends. However, history has shown that misdirected policies and programs can have little to no effect or result in unintended consequences, particularly at the community level. As Bates (1997) and Servon (2005) both argued, despite affirmative attempts to stimulate access to credit for low-wealth individuals, a disconnect still remains between low-income entrepreneurs and the resources available through mainstream financial institutions and targeted government programs. Specifically, in regards to small businesses, we learned from the Economic Opportunity Loan (EOL) Act of 1965,

shortcomings in the implementation of these programs and policies crushed the hope and potential of small business as an economic ignition, leading to negative consequences at both the community level, as well as destroying the individual wealth and prosperity of citizens promised the opportunity for advancement (Bates and Bradford, 1979). Likewise, Servon (2005) pointed out the many disconnects that limit the ability of microenterprise programs to foster economic opportunities for low-wealth individuals. The purpose of this paper is to generate a better understanding of the role of social capital, at the individual, group and community level, in connecting low-income entrepreneurs to formal financial resources for business start-up and development.

Specifically, I ask:

- What are the effects of social capital on important firm outcomes, primarily access to formal financial resources?
- What composition of social resources yields social capital for entrepreneurs? Does the composition vary by low-wealth entrepreneurs?
- Do social resources influence whether or not a firm pursues access to financial resources?

WHY FOCUS ON FINANCIAL RESOURCES?

Undoubtedly, small business development is complex, and financial resources and capital is just one part of the puzzle. However, both theoretical and empirical work suggests that financial resources may influence not only the success of individual entrepreneurs, but may also have broader community effects in regards to economic stability, development and growth.

Lack of adequate financing can have detrimental effects on economic development and opportunity, as exhibited by cross-country, case studies, and industry and firm level analyses (Levine 1997; Fairlie and Robb 2008). Parker and Bleghitar (2006) found that firm owners who succeed are more likely to have both personal and external sources of capital to draw upon. Fairlie and Robb (2008) argue that access to capital influences the survival of the business, rather than the business itself influencing the capital. Likewise, Coleman and Robb (2009) found that dramatically smaller amounts of start-up capital and greater reliance on personal rather than external sources has implications for the ability of small businesses to develop new products and services, grow their firms, hire employees, and survive periods of adversity.

Taken together, these studies suggest that having access to financial resources is not only important, but the availability of formal financial resources beyond one's personal stock may matter as well. Secondly, other research suggests that the types of resources entrepreneurs draw upon vary by the developmental stage of the firm. It has been documented that many firms face challenges in accessing credit in the start-up phase. Lee and Denslow (2005) found that among entrepreneurs' overall, access to capital is more of a problem during the early stages of a firm's development. Robb and Fairlie (2009) traced the importance of access to credit and sources at various phases in the business cycle, finding that at startup, owner's equity is more heavily relied upon; however, reliance on owner equity declines and reliance upon outside debt remains high.

However, while all entrepreneurial firms face challenges in accessing financial resources, some research suggests the challenges faced by low wealth firms may be greater. A potential challenge facing low-wealth entrepreneurs is the extent to which personal wealth and resources influence firm development and the ability to secure additional resources. Small businesses draw their funds from a number of sources, bank loans, credit cards, nonbank loans, finance companies, or equity investments, and often, lenders consider personal funds and personal net worth of the business principals. However, even though personal wealth has been cited as a reason individuals do not pursue or obtain access to formal financial resources, a debate continues as to whether or not low-wealth is in effect the *predominant* factor. Many argue that a key factor in starting a business or the success of a business is money, and those with less of it have a more difficult time (see Salazar for complete discussion, 2007), effects which may be compounded for low-income, minority entrepreneurs. When considering only the top 25 percent of the wealth distribution, Salazar (2007) found that net wealth is positively correlated with the probability that a nascent entrepreneur will start a new company, suggesting those with very high net worth will be more successful. Conversely, others find that financial capital is not the critical element (see Salazar 2007; Aldrich, Renzulli, and Langlon, 1998). Particularly, Aldrich, Renzulli, and Langlon (1998) found that even entrepreneurs with zero net worth were equally as likely to be approved for loans as those with high net wealth.

Thus, while wealth has been identified as potentially playing an important role, a greater understanding is needed as to the unique differences that exist

among low-wealth entrepreneurs and entrepreneurs in general. In entrepreneurship studies in general, one key factor has been the role social capital and networks play in fostering entrepreneurial success.

ENTREPRENEURS AND SOCIAL CAPITAL

Social capital theory provides a framework for understanding and analyzing how the bonds and connections between different actors lead to different outcomes. Although there are multiple definitions of social capital, at its core are words such as relations, networks, resources and action. Social capital can be defined both as a *resource* that membership in a group provides (Lin 2001; Bourdieu 1986; Portes 2000), and as a *resource* that can be limited to the resources embedded in that group or network (Aguilera 2005). The simple idea is that social capital should provide a connection to some sort of action. Portes (1998) draws attention to the varying levels at which the concept of social capital has been and should be operationalized, emphasizing the importance of distinct differences between individual, community and societal levels—distinctions which if not treated appropriately and carefully, can distort the cause-effect consequences of social capital, and neglect to consider it's potential to influence both negative and positive consequences. Hence, social capital becomes both a dependent and an independent variable correlated to one's individual stock of social resources and the community context in which they operate.

Social capital and social networks have been found to be important for the success of small and medium enterprises (SMEs) in a number of contexts (Birley 1985; Hoang and Antoncic 2003; Larson 1992). It has been argued elsewhere that

an entrepreneur's personal social networks are often considered the "most significant resource of the firm" (Johnnison, 1990, p. 41) and can lead to a whole host of new opportunities or ideas. For example, social networks have been found to have a relationship with the internal dynamics of businesses and organizations (Ibanna 1993), but also external dynamics including the ability of entrepreneurs to recognize opportunities and gain access to the financial capital necessary to obtain the means through which to develop and grow their business, and weather tight times (Singh, Hybles and Lumpkin, 1999).

However, research suggests the relationship between social capital and positive outcomes varies across places, ethnicities, genders and wealth groups (see Aguilera 2008 for an extended discussion; Casey 2009; Portes 1998; Woolcock 1998), suggesting that what works for one group may not necessarily transfer to another group. To better understand this, Ibarra (1993) presented a conceptual framework in which members of nondominant groups are viewed as active agents in their environments; however, their interactions within their environments are embedded in the broader societal structure. To translate, for individuals that can be classified as members of non-dominant groups or with non-dominant characteristics, positive outcomes might only result when they have characteristics that match the characteristics of dominant groups or ties to members of dominant groups. In the case of entrepreneurship in the United States, historically, it has been a white male-dominated venture, typically characterized by those with the resources to pursue start up and business development.

For example, Wong and Ho (2007) found the financial support available from relatives' and friends is popular among lower wealth or ethnic entrepreneurs; however, there are inherent limits to this "love money," that may inhibit further development and growth of SMEs. While these close, like ties may serve a purpose or provide enough resources for start-up, heavy reliance upon these sources may inhibit the ability of firms to obtain the additional financing they need to grow. Likewise, Hite (2005) argued that close, personal ties might also impede instrumental decision-making, as often close, personal ties may influence emotional decision-making or be limited in the amount of information provided. In short, reliance upon these close, communal ties may limit the ability of entrepreneurs to access more complete information or resources needed to develop their business.

Conversely, when entrepreneurs reach out beyond close, familial ties, they are more likely to access formal financial resources. Ngoc and Nguyen (2009) found that entrepreneurs with networks that contained loose ties to members of social organizations and clubs were significantly more likely to pursue bank loans than those that did not. Furthermore, entrepreneurs less likely to pursue bank loans were those that have very strong networks composed of similar and like ties. The resources and information available through one's personal networks are important to overcome information barriers—as no one person has perfect information with which to make choices and decisions (Simon 1976; Singh, Hybels, and Lumpkin, 1999). As argued by Singh, Hybels & Lumpkin (1999), " An entrepreneur's social network ties can expand the boundaries of rationality (Simon 1976) by creating and

allowing access to knowledge/information ” not previously available in their own network (p. 2).

A SOCIAL RESOURCE THEORY PERSPECTIVE OF SOCIAL CAPITAL

A number of scholars have criticized “loose” conceptualizations of social capital and called for enhanced rigor in both defining and measuring social capital, its components, and the relation of its components to economic outcomes (Burt 2000; Lin 2001; Portes 2000). In this paper, I operationalize social capital through the lens of social resource theory. Figure 1 presents the relationship between social resources, social capital, and the economic outcome of interest, access to financial resources.

<Insert Figure 1 about here>

Social resource theory suggests that one’s relationships with others are a source of emotional, material and information aid (Lin 1982), and these relationships offer resources that can influence economic action. Furthermore, these relationships are embedded in a social structure characterized by wealth, power, and status. A common approach to understanding the effects of one’s social resources is a relational analysis, which commonly draws upon the principles of homophily and heterophily to understand the composition of one’s social network. The homophily principle proposes that similarity breeds connection, thus there is a strong correspondence between intensity of interactions, shared sentiment, and shared resources, and a general tendency for one’s composition of social resources to mirror one’s own characteristics. Tight bonding relationships have been found to be beneficial for emotional means, but limit actions that enable one to “get ahead”

(Lin 2001; Ibarra 1993). Conversely, the heterophily principle (Granovetter 1973) suggests that as one reaches beyond one's inner circle of similar social resources, and accumulates ties with individuals with more diverse resources, positive economic action becomes more likely. Commonly known as the 'strength of weak ties', this suggests that those with weak, or heterophilious ties, are more likely to have "rich" social resources than those with similar, or homophilious ties.

Ibarra (1993) offers a perspective on the concepts of homophily and heterophilious ties that is bounded or constrained by one's societal position. According to Ibarra (1993), it is important to consider a given persons starting point, or perceived membership in a group other than the dominant group, as the ties to the dominant group may be more important to access mainstream economic opportunities. Conversely, for members of the dominant group, racial or class heterogeneity may be less important, and these networks may exhibit more homophily without have a detrimental affect on opportunity. Thus, the question of heterogeneity depends upon who you are, or aren't, and the purposeful orientation of the tie.

From a methodological standpoint, the economic value of one's "like" or "diverse" ties may be better understood by adopting a positional approach, which considers one's position, or status, in the social structure, the embedded resources this position avails and one's access to these positions (Lin and Erickson 2008). Recent studies suggest position generator measures are as reliable and valid as other social capital measures (Van der Gaag, Snijders and Flap 2008). Lin argues that often one's ability to gain access to those 'more beneficial' ties might be

mitigated or influenced by their position in the social hierarchy. Some individuals start from a higher position in society, and even if their ties mirror their own characteristics; they may still possess a relatively “rich” level of social resources upon which to draw. People in higher positions or with higher status as measured by professional experience, occupation, income, education, and other social position indicators, are more likely to have greater range, extensity, or upper reachability, and in turn, more information-rich resources to draw upon to gain access to financial resources. Thus, their stock of social resources may be less diverse, but still reach higher levels than the stock possessed by those with lower status.

From the perspective of social resource theory, education is viewed as a series of social settings in which people meet, a valued and attractive form of social status in modern societies, and a powerful way to gain other forms of high status like better jobs, so better education leads to better social capital. Social capital gains also result from work experience, and often, social capital is greater for those who work for pay for extended periods of time and meet people through work, particularly for those who work in higher-level positions that include more diversified, and in-depth interactions with people. Finally, the prestige of one’s career or occupation has been found to have a positive relationship with social capital, with individuals with higher prestige occupations having social capital that yields more favorable economic opportunities.

One’s wealth is often associated with their level of education, income, career experiences, and other indicators of one’s social resources, and typically, members of nondominant groups overall possess lower levels of these indicators. Moren

Cross and Lin (2008) found that social capital, as measured by extensity, range, and diversity of access to positions, is distributed unequally among gender and racial and ethnic groups, and having less income may also disadvantage one's complete stock of social capital. Therefore, the starting stock of individual resources available to low wealth entrepreneurs may be initially influenced by their position in the wealth distribution.

The embeddedness of one's resources within the social structure becomes of primary concern when considering the social resources available to low-income entrepreneurs. Whether one is social resource "rich" or "poor" may influence whether or not one gains access to financial resources, as well as the sources of financial resources available to them, formal (banks, venture funds) or informal (personal, family or friend). Low wealth entrepreneurs may be limited in the amount of informational resources available within their own networks, and may already stand at a disadvantage in securing the start-up funding and resources necessary for business development. For example, even if every entrepreneur at the bottom quintile of the income spectrum pooled their funds, it would still be only a small percentage of what is available to those at the top. Likewise, given the strong correlations between wealth and education, prestige, and employment opportunities, if low wealth entrepreneurs are also limited in their individual social resources and there is a great deal of homophilious ties, these same group ties may yield "poor" social resources.

However, a number of studies have documented that often start-ups are not the efforts of individuals alone, yet often studies that assess access to financial

resources focus largely on the individual attributes the primary owner. However, often start-ups are composed of ownership teams and draw upon a large number of helpers (Gartner, Shaver, Carter and Reynolds, 2004). Part of our lack of understanding on this is due to the availability of datasets that connect financial resources and the various people involved in start-up efforts. Nonetheless, to get a more complete picture of the social resources available and utilized by low-wealth entrepreneurs, it becomes necessary to understand not only an individual's stock of social resources, but the *agency* of entrepreneurs, and the extent to which entrepreneurs utilize and draw upon the expertise of a number of other individuals, including other owners and helpers, each which possess their own stock of social resources. As Woolcock (2001) explains in regards to power and structure,

a social capital perspective recognizes that exclusion from mainstream institutions is created and maintained by powerful vested interests, but that marginalized groups themselves possess unique social resources that can be used as a basis for overcoming that exclusion, and as a mechanisms for helping forge access to these institutions (p. 14).

A central question that emerges to better understand the utilization of social resources among low-wealth entrepreneurs does having a team of helpers or owners with "richer" social resources than the owner matter?

COMMUNITY-LEVEL SOCIAL CAPITAL

Finally, start-ups do not occur in vacuums, rather they occur in communities that have the potential to exert an influence on the economic outcomes of low-wealth individuals. However, understanding the individual networks of entrepreneurs as they vary by wealth may only yield part of the reality. Woolcock's (1998) concept of quality or linking social capital suggests that individual networks

do not exist in a vacuum; rather, networks exist in a social context shaped and influenced by a host of actors and experiences. As Woolcock (2001) quoted Fox and Heller,

Social capital also has a vertical dimension...and as such a key task for development practitioners and policy makers is ensuring the activities of the poor not only reach out but are also scaled up. (p.13).

In essence, communities also possess social resources that can influence the plight of entrepreneurs. The importance of the 'entrepreneurial environment' has gained a consensus; however, debates continue in regards to the measurement and evaluation of the norms, practices, institutions and cultures that foster entrepreneurship (Davisson, 2004; Van de Ven, 1993; Verhuel, Wennekers, Audretsh and Thurik, 2002). From the perspective of social capital, community-level resources can enhance one's stock of social resources both through informal channels such as the reinforcement of particular norms, cognitive social capital (Grant 2001), and through more formal channels such as formal organizations or intermediaries that connect and foster more equitable opportunities for those that possess fewer social resources, structural social capital. In its totality, community social capital includes the norms, information flows and supporting organizations that influence and provide social support. Social norms can create an environment where individuals are encouraged to pursue entrepreneurship or place a greater value on self-sufficiency, and can also influence the availability of programs and services to support entrepreneurship. Organizations and groups can connect entrepreneurs to additional resources. Community-based development groups or organizations serve as connecting points and resources for low wealth

entrepreneurs. Likewise, services provided by mainstream financial institutions to small businesses exert an influence on the outcomes that result.

EXPECTED RELATIONSHIPS

Taken together, an understanding of the stock of social resources that yield social capital for entrepreneurs might be made more complete by understanding and separating the myriad of packages in which these resources come in.

Based on the model presented above, I explore the following relationships:

1. *Individual Resources.* Firms with “rich” social resources will have higher levels of social capital, and in turn, greater access to formal sources of financial resources.

The latent constructs of social resources and social capital will be measured based on the characteristics of the primary startup owner. The variables of interest include level of education, career experience and occupational prestige. “Rich” social resources include the following: high level of education, extensive career experience and holding a prestigious career position.

2. *Group Resources.* It is anticipated that a firm’s stock of social resources will influence their social capital, which influences access to financial resources.

Specifically, I anticipate that among low-wealth entrepreneurs (that utilize financial resources), those with upward reaching ties, to helpers or other owners with higher levels of education, greater career experience or individuals with greater prestige will be more likely to gain access to formal financial resources. Conversely, those that go it alone, or draw upon the resources available from those with similar levels of education, career experience or prestige, will obtain fewer formal financial resources.

3. *Community Resources.* It is anticipated that the norms and resources available in the community will influence the percentage of formal resources available to low-wealth entrepreneurs. Specifically, low-wealth entrepreneurs that view their environments favorable to entrepreneurship and entrepreneurial activities will obtain a greater percentage of formal financial resources.

4. *Start Up Phase versus Business Development Phase.* Finally, as mentioned previously, availability and distribution of financial resources varies between the start-up and development stages. Previous research suggests that start-up financing often relies most heavily upon the personal characteristics of the firm owners, suggesting that the individual's own resources may play a more important role in the early stages than the community and team and helper resources. Therefore, individual resources are expected to play an important role in the start-up phase. Conversely, community and team resources are expected to play a more prominent role in the pursuit of additional financial resources in the phase of business development.

STUDY IMPLICATIONS

As Servon (2005) argued, small business development can have both individual and community-level effects. At the individual level, it can help a significant number of low-income people to accumulate assets that give them a stake in society. At the community-level, it can provide stability and benefits in low-income communities. However, given the ongoing debate as to whether or not wealth matters, a greater understanding is needed of the role of social capital and social resources. When the initial stock of individual social resources available to

low wealth entrepreneurs are enhanced through upward reaching ties and community-level social capital, do low wealth entrepreneurs secure access to formal financial resources at various phases of start-up development? Should the findings suggest yes, the implications of this study are that policymakers and practitioners may need to think about designing and implementing policy that facilitates opportunities to connect low-wealth entrepreneurs with those individuals and organizations that possess a greater stock of resources. This is a very different approach than typical models that focus on credit constraints might take, but it may suggest that any successful credit market interventions may also need to consider the ability and the effectiveness of the policy or programs implemented to generate upward connections and linkages for low wealth entrepreneurs.

METHODOLOGICAL APPROACH

For the purposes of this analysis, net worth, as opposed to income, is used to classify low wealth entrepreneurs. A number of studies increasingly argue that income is a poor proxy for the economic resources one has, and net worth instead provides a true measure of the economic resources available to an individual. A relative measure of low wealth is used in this analysis. An entrepreneur is classified as a low wealth entrepreneur if their reported net worth falls in the bottom two quintiles of the entire sample.

Data were obtained from the Panel Survey of Entrepreneurial Dynamics II (PSED II). Funded by the National Science Foundation (NSF), one of the most robust data sets for capturing the dynamics of entrepreneurs over time is the Panel Survey of Entrepreneur Dynamics (PSED) I and II. Although a handful of other data sets, such as the Kauffman Firm Survey (KFS), also track the evolution of firms over time from start-

up, the PSED I and II provide additional information on the goals and intentions of these entrepreneurs as it relates to firm growth, as well as the local conditions and characteristics of start-up firms.

The database provides a current snapshot of the type of business, the characteristics and demographics of the business owners, and both start-up and additional sources of capital. Perhaps, more importantly, the PSED data sets provide additional information concerning ownership teams and helpers as well as information on their perceptions of the entrepreneurial environment. Finally, the dataset captures an entrepreneurs' overall net worth, taking into consideration their liabilities and assets. The PSED II follows a cohort of nascent entrepreneurs (n=1,214) and nascent enterprises over time. The data begin with firm conception and tracks start-up efforts until a new firm has been established, and hence, allow for some additional analyses to be conducted to address potential selection effects (Curtin and Reynolds 2007) between the social resource composition of the firms that are established versus those that do not progress to the start-up stage. The PSED II began in 2005 with a cohort of 1,214 nascent entrepreneurs chosen from a representative sample of 31,845 adults. In 2006, follow-up interviews were conducted with 80% of the original cohort. Taken together, the panels together provide an assessment of entrepreneurial activity from the vantage point of the entrepreneurs.

Based on a comparison of the PSED I and the PSED II, several major patterns emerged in regards to what an entrepreneur 'looks like'. Reynolds and Curtin (2008) found that generally speaking: Men are two-thirds of the group; more than three-in-four are between 25 and 54 years of age; seven-in-ten are White with Hispanics and African

Americans well-represented; over 85 percent of nascent entrepreneurs are US born, with the remaining about 5 percent from immigrant families and 10 percent from families that are a mix of immigrants and US born; over 60 percent have lived in the county and state of their business for at least 10 years prior to the data collection efforts; and about half of respondents had parents involved in self-employment or as a business owner (Reynolds and Curtin, 2008, p. 188). Likewise, the wealth of small business owners varies across the spectrum as well. About 15 percent of respondents are from households with annual incomes in excess of \$100,000 per year, one third are from households with annual incomes under \$40,000, and half are from households in the middle categories, between \$40,000- \$100,000 per year. In regards to net worth, 18.1 percent have negative to no net worth, 15.3 percent have between \$0-\$25,000, 20.5 percent have net worth between \$26,000 and \$100,000 and the remaining 46 percent have net worth valued over \$100,000, with 7.6 percent of those reporting a net worth greater than \$500,000.

CONSTRUCTS OF INTEREST

A whole host of measures have been employed to better understand the effects of social capital and networks. For example, in addition to ties with different relatives and friends, researchers have assessed the connections individual entrepreneurs have to their friends, relatives, and social organizations and associations (Hussain et al 2006). In this study, the latent construct for social capital is measured by a series of observed variables that will be derived from the position generator methodology and based on previous studies. This methodology involves categorizing one's position based on occupational, educational and experiential social sources of prestige. The PSED II contains data that allows one to capture the

primary owner's level of education, years of management experience, years of work experience and occupation or career. It also includes data on the level of education, years of work experience and occupation and career for other owners and helpers. Finally, it includes a number of variables assessing both the cognitive and structural social resources at the community level. The construction of these variables is described in the section that follows.

Individual Social Resources. The variables used to capture the resources available to an individual entrepreneur include the following: level of education, career prestige, and years of work experience. Level of education was measured as a categorical variable ranging from 1-5. A value of "1" represents some high school or less; 2= high school degree, 3 = some college or a technical, vocational, or community college degree; 4= bachelor's degree and those with some graduate education; 5= graduate or professional degree. Each entrepreneur was assigned a prestige score based on his or her previous occupation. The prestige score was generated from the Occupational Prestige Ratings available from the Inter-University Consortium for Political and Social Research (ICPSR). A higher prestige score indicates a more prestigious career position. Years of work experience was a categorical variable, measured on a scale of 1 to 5, with the following values: 1=one year or less; 2=two to ten years; 3=eleven to twenty years; 4=twenty-one to thirty years; and 5=greater than 30 years.

Group Social Resources. Six indicator variables were created to measure the relationship between group social resources and access to formal financial resources. A value of "1" was assigned in the case when other members of the

ownership team or helpers had a higher value than the primary owner on the following characteristics: education, occupational prestige and years of experience.

Community-Level Social Resources. Indicator variables were created to assess the relationship between community-level social resources and access to formal financial resources. The data on community-level social resources were only available at the primary owner level; therefore, it was not possible to capture the perceptions of other owners or helpers. Respondents were asked to indicate whether or not they agreed or disagreed with twelve statements representing cognitive social capital as well as structural capital. Six of the community-level indicators measured the norms of the community and six measured the structural relations present in the community from organizations to family and friend supports. Respondents that strongly agreed or agreed with the chosen statements were coded with a “1” and those who were neutral, disagreed or strongly disagreed were coded with a “0”. The specific questions listed are included in Tables 2 and 3.

Control Variables. A series of variables were included to control for startup characteristics, location, and additional socioeconomic or demographic factors. The firm characteristics controlled for included: industry, location in an urban metropolitan area, suburban metropolitan area or nonmetropolitan area, and whether or not the start-up effort was considered high technology. Industry is a categorical variable representing the NAICS code of the startup. Location is assessed by a series of indicator variables, indicating whether or not the startup is located in an urban area within a metropolitan area, suburban metropolitan area or a nonmetropolitan area. To control for any potential regional effects, cluster robust

errors were estimated, clustering on census division, the smallest geographic unit publicly available. The “high tech” index created by Reynolds and Curtin (2008) was used to classify startups as “high tech”. Reynolds and Curtin (2008) collapsed three items, use of new technology (defined as technology not available five years ago), firm emphasis on spending for research and development and if the new firm considered itself high tech, together to create an index reflecting startups with an emphasis on high technology ($\alpha=.429$). In this paper, an additional item, whether or not customers will consider this product or service new and unfamiliar, is collapsed into the index, which improved the alpha slightly ($\alpha= .462$). Firms with a score of 3-4 on the index were considered to be high-tech or innovative and were coded with a value of “1”.

Personal and socioeconomic factors beyond wealth included gender, race and ethnicity, whether or not the respondent was born in the United States, owners’ management or supervisory experience and whether or not the respondent’s parents owned a business. Gender was an indicator variable, valued at one if the startup owner was a female. Due to limitations in the sample size, the racial and ethnic categories had to be combined in many cases. While the PSED allows respondents to indicate multiple races and ethnicities, this poses challenges when dealing with subsets of the sample. Therefore, it was possible to only create three different racial/ethnic category indicators, white nonhispanic, African American nonhispanic, and Hispanic or other. Although race is not the primary focus of the paper, some differences emerged along racial and ethnic lines and will be briefly discussed in the later sections. Owner’s management or supervisory experience

was a categorical variable ranging from 1 through 5. A value of 1 indicated one year or less of experience; 2 represented two to ten years; 3=eleven to twenty years; 4=twenty-one to thirty years; and 5=thirty-one or greater. Family business is an indicator variable valued at “1” if the respondent’s family owned a small business at some point in their career history. Non U.S. born is an indicator variable valued at “1” if the respondent was not born in the United States.

Dependent Variables of Interest: Proportion of Formal Financial Resources.

Two dependent variables of interest were constructed, one indicating the proportion of formal financial resources utilized for start up activities, and a second indicating the proportion of formal financial resources utilized for business development. The proportion was based on the total dollar amount of total resources that were from a formal source. A financial resource was considered to be a formal resource if it was from an institutional source, or to put more simply, if it was not from a personal or relational contact. In the case of startup sources, bank loans, asset-backed loans and credit cards were considered formal financial resources. Among financial resources for business development, asset-backed loans, credit lines, credit cards, venture capital, property leases, supplier credit, bank loans, loans from the Small Business Administration (SBA) and government loans were considered formal resources.

Sheaf Coefficients.

To demonstrate the relative contribution of each construct of variables to the percentage of total formal sources accessed, I use sheaf coefficients (Heise 1972) and interpret in a similar manner to Kasarda and Irwin (1991). A sheaf coefficient

assumes that a block of variables influence the dependent variable through a latent variable. It is interpreted as a standardized partial regression coefficient, and it can be used to compare the relative effect of each theoretical block on proportion of formal financial resources utilized. The sheaf methodology assumes that indicators are measured without error and capture all logical and significant variation in the block construct. In STATA, sheafcoef is a postestimation command that displays the effect of the latent variable and the effect of the observed variables on the latent variable (Buis 2009). It is important to note the effect of the latent variable is always positive, so to give a substantive interpretation of the direction of the effect, one needs to look at the effects of the observed variables on the latent variable. As noted by Buis (2009), the assumption that the effect of a block of variables occurs through a latent variable is not a testable constraint; it is just a different way of presenting the results from the original model and can be effective at comparing the relative strength of the influence of several blocks of variables. As such, it is best used for exploratory analysis. A generalized linear model with a binomial link function using STATA 11 was estimated for each model.

RESULTS

The results from four different models are presented in this section—two models explore the relationship of the constructs of interest and access to formal financial resources for the start up phase and two explore the relationship of the constructs of interest and access to formal financial resources for the business development phase. For each phase, one model was estimated for all entrepreneurs and another was estimated for a subset of the group, low wealth entrepreneurs. By

running a separate model, it allows the parameters to vary to see how different constructs might work differently for low-wealth entrepreneurs. In this section, first, basic descriptives are presented on the financial resources utilized for start up and development among startups overall and low-wealth start-ups. Next, the overall effects of the constructs are presented as it relates to consistency across both models and relative to the other constructs, for each dependent variable of interest. The constructs are discussed in regards to the relative magnitude and direction of the effects across different models. Given the usage of a large number of indicator and categorical variables, for simplicity, the magnitude is only discussed as it relates to the other constructs—no direct interpretation is made as to how much it increases the proportion of financial resources. Thirdly, the effects of the constructs are discussed as they relate to the unique experience of low-wealth entrepreneurs. Finally, the effects of the individual variables on the constructs of interest are presented.

FINANCIAL RESOURCES UTILIZED BY LOW WEALTH ENTREPRENEURS

Low-wealth entrepreneurs relied upon a greater percentage of informal financial resources for startup activities than did entrepreneurs overall, 62 percent compared to 53 percent, respectively. However, low-wealth entrepreneurs utilized fewer informal resources for business development than did entrepreneurs overall, 15.2 percent compared to 27.5 percent, respectively. Within these broad categories, differences emerged in regards to the specific sources of financial resources utilized by low-wealth entrepreneurs at the startup and business development phase in comparison to entrepreneurs overall.

Among low-wealth entrepreneurs, personal savings accounted for 59 percent of the total dollar value of all financial resources utilized for startup, which is slightly higher than the percentage breakdown for the overall sample of entrepreneurs--49 percent. Bank loans were the second most valuable source for low-wealth entrepreneurs, accounting for 18 percent of the total dollar value of start up resources, followed by personal loans, which accounted for 12 percent of startup resources. Among all entrepreneurs, bank loans were the second most valuable source as well; however, personal loans were not a substantial contributor to overall startup resources, but rather asset-backed loans played an important role. For low-wealth entrepreneurs, asset-backed loans played a very minor role, accounting for only 2 percent.

When considering sources of financial resources for business development, supplier credit and property leases played a predominant role for low-wealth entrepreneurs, each accounting for 15 percent of the total financial resources needed. Bank loans, credit lines, venture capital and Small Business Administration (SBA) loans each accounted for about 9 percent. Although personal loans played an important role in startup funding for low wealth entrepreneurs, personal loans accounted for only a small percentage of total resources for business development, about 3 percent. Among entrepreneurs overall, personal loans and supplier credit were the most prevalent source of resources, accounting each for 13 percent. Credit lines and property leases were also important sources for entrepreneurs overall, accounting for 12 and 9.9 percent of the total resources, respectively.

CONSTRUCTS OF INTEREST AND FORMAL FINANCIAL RESOURCES

When considering the social resources used for start-up financing, *individual resources* emerge as a primary determinant of proportion of formal resources, regardless of the models. Although community resources and social resources are significant, the magnitude of individual resources is the greatest across both models. However, it is important to note that when considering the effects of individual, group and community resources among only low wealth entrepreneurs, the sheaf coefficients for the block variables suggest the gap narrows. For low-wealth firms, the influence of community resources becomes almost as important as the influence of individual resources, based on the sheaf coefficients of .502 and .582, respectively. Table 1 represents the parameter estimates for the constructs of interest.

<Insert Table 1 about here>

At the business development phase, community and group resources emerged as more important determinants of the proportion of formal financial resources than individual resources. Community resources emerged as the most important determinant for entrepreneurs overall, .818 compared to .542 for group resources and .258 for individual resources. However, when considering only low-wealth entrepreneurs, the magnitude of group resources was greatest, 5.141, compared to 3.593 for community resources and 2.859 for individual resources.

INDIVIDUAL VARIABLE EFFECTS ON CONSTRUCTS OF INTEREST

While sheaf coefficients provide interesting information about the constructs, the coefficients do not distinguish the relative effects of the observed variables that determine each block. In Tables 2 and 3, I present the unstandardized

regression coefficients for each phase and their standard errors based on a generalized linear regression, with a binomial link, of the proportion of formal sources of financial resources both at start up and for additional business development needs. The effects of the individual variables are discussed for each of the dominant constructs that emerged.

<Insert Tables 2 and 3 about here>

In regards to start-up financing, when controlling for a number of additional factors, a number of variables were consistently robust. For the construct of individual resources, primary owner prestige and years of experience had a significant effect on proportion of formal financial resources across all models. Specifically, entrepreneurs with higher levels of prestige but fewer years of experience had a higher proportion of financial resources.

When considering access to formal resources for business development, one construct was not dominant across all models. However, the individual resource construct was robust across all models, emerging as the least important construct. When considering entrepreneurs overall, community-level resources emerged as the dominant construct. However, when considering only low-wealth entrepreneurs, group resources emerged as the dominant construct. Even though community and group resources were not robust across both models, a number of observed variables within each construct were robust across both models. First, in regards to group resources, ownership teams with upward reaching ties to helpers with more years of experience obtained a higher proportion of formal financial resources, robust across both models. However, having ties to helpers with greater

prestige had a negative effect across both models--ownership teams with ties to helpers with greater prestige obtained a lower level of formal financial resources.

For low wealth entrepreneurs, ties to helpers with higher levels of education and other team members with more years of experience influenced a greater proportion of formal financial resources. Conversely, for entrepreneurs overall, reaching upward to helpers with greater education reduced the proportion of formal financial resources obtained and having team members with greater experience did not have a significant effect. Finally, although having team owners with greater prestige was an important variable when considering access to formal start-up resources, it did not significantly contribute to the group resources construct in either model in the case of business development.

In regards to the construct of community-level resources, a number of variables were robust across models. The variables that emerged as significant across models encompassed both cognitive and structural constructs of social capital. However, the direction of the effects of the significant variables was highly variable across models, with the exception of norms that encourage entrepreneurial risk-taking. Norms that encourage entrepreneurial risk taking were associated with a higher proportion of formal financial resources, regardless of the sample.

Low wealth entrepreneurs that viewed the support provided by community-based groups to be favorable for small business development obtained a greater proportion of formal financial resources. Conversely, low-wealth entrepreneurs that perceived quality of support provided by state and local government for small business development favorably obtained a lower percentage of formal financial

resources. However, the direction of these effects were completely opposite when considering entrepreneurs overall. Among the sample overall, those with a favorable perception of the support provided by community groups obtained a lower proportion of formal resources, whereas those with a favorable perception of the role of local or state governments obtained a greater amount of formal financial resources.

THE INITIAL STOCK OF SOCIAL RESOURCES FOR LOW WEALTH ENTREPRENEURS

In the models estimated above, the construct of individual resources was robust across both models, suggesting there may be little difference among low-wealth entrepreneurs and the sample overall. However, when considering group and community-level resources, community-based resources were more important for the sample overall, and group resources were more important for low-wealth entrepreneurs. This variability suggests it may be important to consider the difference among the initial stocks of resources available to low-wealth entrepreneurs as compared to their wealthier counterparts. As suggested by Lin (2001) and Ibarra (1993), an entrepreneurs' initial stock of social resources may influence the constructs of interest that influence access to formal financial sources. To better understand the significance of the differences between lower wealth and higher wealth entrepreneurs a two-sample t-test was conducted for each of the key variables composing the individual resource constructs. The means for low-wealth entrepreneurs (those in the bottom two quintiles) and higher- wealth entrepreneurs (those in the upper 3 wealth quintiles) were compared for those

utilizing startup resources and those using additional financial resources. The significant differences that emerged are discussed below. Table 4 reports the complete results from the t-test.

<Insert Table 4 About Here>

When comparing differences in means among entrepreneurs' utilizing startup funds, low-wealth entrepreneurs had a lower level of education and had a lower average level of prestige. No significant differences emerged in regards to the experiential variables between groups. In regards to differences among low wealth and high wealth entrepreneurs seeking additional resources for business development, some findings were consistent with the differences that emerged among those pursuing start up funds. Low wealth entrepreneurs had lower levels of education and prestige, but also, had significantly lower levels of experience. The exact magnitude of this difference is camouflaged due to the use of a categorical variable.

DISCUSSION AND CONCLUSION

The primary focus of this paper was to generate a better understanding of the various dimensions of social capital and how they might influence access to formal financial resources. The relationship between the stock of social resources available to low-wealth entrepreneurs and the proportion of formal financial resources utilized by entrepreneurs for startup and business development is of particular interest.

At the startup phase, individual resources were found to have the strongest effect on proportion of formal resources accessed. The effects were consistent when

considering the entire sample of entrepreneurs as well as low-wealth entrepreneurs. The importance of individual resources supports previous work that suggests that at the startup phase, the individual characteristics of entrepreneurs play an important role in accessing financial resources. Specifically, startups with owners with higher levels of individual prestige had a greater proportion of total resources from formal sources. This supports previous research that suggests that prestige plays an important role in providing connections and access to economic opportunities (Lin 2001; Moren, Cross and Lin 2008).

Conversely, years of owner experience had a negative effect on the proportion of formal resources at startup. Ngoc and Nguyen (2009) found a similar relationship between years of experience and access to bank loans. As they argued, it could be more likely that owner experience is negatively related to the need or will to borrow from banks as there is a growing literature that suggests that less inexperienced entrepreneurs tend to use more bank loans than those that are experienced (Hannan, Burton, and Baron, 1996; Peng, 2001). Furthermore, future research may also need to untangle the differences in accessing formal financial resources by age of the entrepreneur, as experience could also proxy for age and there may be certain individual norms that influence one's decision to pursue formal sources versus using their own personal resources. Overall, however, these results prestige may be a better indicator of the potential of one's individual resources. As noted by Ibarra (1993), people could have many years of experience, but during that time, remain relatively in the same position in the hierarchical structure.

At the business development phase, community and group resources emerged as more important determinants of the proportion of formal financial resources than individual resources. Community resources emerged as the most important determinant for entrepreneurs overall, whereas group resources were most important when considering only low-wealth entrepreneurs. This finding is consistent with others who argue that the entrepreneurial environment matters, as it may not only influence individuals to pursue entrepreneurship, but it may also influence the practices of lending institutions, community-based groups, and state and local level actors. The cognitive variable that was robust when considering entrepreneurs overall and low-wealth entrepreneurs was living in a community that encouraged entrepreneurial risk taking. Community norms that encourage entrepreneurial risk taking were associated with a higher proportion of formal financial resources. Structural resources such as the environment created by state and local government and community-based groups were significant as well. However, these had very different effects when considering low-wealth entrepreneurs only.

In regards to group resources, select characteristics of helpers significantly influenced the proportion of formal financial resources utilized. Across all models, ownership teams that drew upon the expertise of helpers with greater experience had a higher proportion of formal financial resources in the business development phase. However, ownership teams that drew upon helpers with lower prestige had a higher proportion of formal financial resources. This finding supports previous research concerning the strategic use of teams and helpers to foster small business

development (Gartner, Shaver, Carter & Reynolds 2004). It may suggest that securing access to formal resources at the development stage is best accomplished through a strategic or complementary mix of resources between owners and helpers. For example, at the startup stage, owner prestige played an important role, whereas experience had a negative effect. However, owners with less experience but more prestige may be more likely to use their resources to identify and attract helpers that may bring a wealth of experience to the table. Future research and the availability of data that follow-up new startups over time and capture their strategic use of helpers may shed additional light on this.

For both the constructs of group and community resources while a number of key variables were significant across models, in a number of cases the effects of these variables for low-wealth startups differed from that of the overall sample, suggesting that different social resources may yield different outcomes based on one's position. For example, low wealth startups accessed a greater proportion of formal financial resources when they had ties to helpers with higher education levels and when their ownership team consisted of owners with more years of experience than their own. This suggests that reaching upward from one's own position did lead to positive economic action for low-wealth entrepreneurs. However, the fact that this is not consistent across models, suggests support for Ibarra's (1993) argument that resources may work in different ways for different groups, and for those of higher wealth, similar ties may be sufficient in most cases to access formal financial resources. Conversely, for those that are lower in wealth, upward ties may be even more valuable. Likewise, more broadly speaking, it raises

questions about the limitations of the observed variables to measure social capital, as in the case of some resources, such as education; there may be limits for those already at the top of the hierarchy.

For example, the means test suggested that among entrepreneurs' pursuing startup and additional business development resources, low-wealth entrepreneurs start with an initial individual stock of social resources that are less than their wealthier counterparts. Low-wealth entrepreneurs have lower levels of education and lower levels of prestige than their wealthier counterparts. Furthermore, among those pursuing additional resources for business development, they not only have lower education and less prestige, but they also have lower levels of experience.

Community-level resources appear to exert a more significant effect when considering financial resources for business development. However, given the variability of these effects across models, considering the initial starting stock of social resources of low wealth entrepreneurs is important when considering the effects of community-level resources. Particularly among low-wealth entrepreneurs, those that perceived community-based groups as providing support for small businesses acquired a higher proportion of financial resources for business development. This may suggest that when these structural supports are present in a community and effectively working to connect low wealth entrepreneurs upwards to financial resources, positive economic action results. Conversely, the same effects were not found for the resources available through state and local government, raising questions about the support and resources available through these organizations. Again, this finding suggests that structural social resources do not

necessary work in the same way for all groups either. For the sample overall, the exact opposite was found, suggesting that for higher wealth groups, community-based groups may not serve as a valuable structural support, but for lower-wealth entrepreneurs, community-based groups may serve to bridge the gaps in their initial stock of resources.

Finally, although race was not a primary focus in this paper, a couple words are necessary. The manner in which the racial and ethnic categories were constructed is problematic to making any generalizations or inferences for any entrepreneurs identifying as Hispanic, Asian or other. By grouping these racial and ethnic groups together, the unique experiences of these groups are not captured. Therefore, future research should specifically explore the differential effects of race and ethnicity through the use of separate models. Secondly, this study only captures the relationship between those entrepreneurs that pursue access to financial resources. Given the robust literature on potential discrimination and disparities in utilizing financial resources among racial and ethnic lines, future analyses should also consider the relationships between whether or not startups pursue financial resources, the race and ethnicity of the entrepreneur and their social resources.

In conclusion, one's individual stock of social resources play an important role in gaining access to formal financial resources for startup activities, and prestige plays a pivotal role. However, when pursuing additional resources for business development, group and community resources become predominant factors. Consistent with previous work that suggests that social capital may work in different ways for different groups, this appears to be the case in the pursuit of

financial resources. Future research needs to delve into the specific structural and cognitive supports provided at the community-level for low wealth entrepreneurs as well as generate a better understanding of the ability of the community-level resources available to help connect low-wealth entrepreneurs to helpers and other team members, particularly at the stage of business development.

Table 1. Effects of the Key Constructs of Interest on Proportion of Formal Financial Resources, Both Phases.

Dependent Variable: Proportion of Formal Financial Resources. Start Up		
Latent Construct	Utilizing Start Up Funds	
	Overall	Low Wealth
Community Resources	.284a	.502a
Social Resources	.271a	.460a
Individual Resources	.414a	.582a
Model Statistics	N=867	N=378
Deviance	436.950	148.964
Pearson	539.209	212.087
AIC	.682	.576
BIC	-5374.219	-2046.947
Dependent Variable: Proportion of Formal Financial Resources, Business Development		
Latent Construct	Utilizing Additional Resources	
	Overall	Low Wealth
Community Resources	.818a	3.593a
Social Resources	.542a	5.141a
Individual Resources	.258	2.859a
Model Statistics	N=193	N=57
Deviance	113.782	11.360
Pearson	96.650	22.825
AIC	1.000	.798
BIC	-859.816	-186.75
a = All coefficients are significant at the .01 level. Note: All models were estimated using robust and cluster robust errors; cluster robust provided the best fit as measured by the linktest and as a result are presented here.		

Table 2. Proportion of Formal Financial Resources, Startup

Dependent Variable: Proportion Formal Financial Resources, Start Up		
Latent Construct Components	Overall	Low Wealth
<i>Community Resources</i>		
Norms support success through personal effort.	-.596	-1.174
Norms emphasize self-sufficiency, autonomy, and personal initiative.	.621	.089
Norms encourage entrepreneurial risk-taking.	-.718	-.590
Norms encourage creativity and innovation.	.299	.807
Norms emphasize individual responsibility.	1.034a	.926
Young people are encouraged to start their own business.	-.724aa	.097
State and local government provide support for new businesses.	.194	-.007
Bankers and other investors go out of their way to help new businesses get started.	.063	.437a
Community groups provide good support for those starting new businesses.	-.086	.399
Many of your friends have started new businesses.	-.103	.162
Many of your relatives have started new businesses.	.530a	.231
Leaders in your community are people who own their own businesses.	.372	.247
<i>Social Resources</i>		
Helper Education	-.999a	.554
Helper Experience	.444	.151
Helper Prestige	1.083a	.000
Owner Team Education	.217	.951
Owner Team Experience	-1.084	-.068
Owner Team Prestige	1.704a	1.884a
<i>Individual Resources</i>		
Primary Owner Years of Experience	-.537a	-.598a
Primary Owner Prestige	.066a	.072a
Primary Owner Education	.009	-.194

Table 3. Proportion Formal Financial Resources, Business Development

Dependent Variable: Proportion Formal Financial Resources, Business Development		
Latent Construct Components	Overall	Low Wealth
<i>Community Resources</i>		
Norms support success through personal effort.	.139	-.430
Norms emphasize self-sufficiency, autonomy, and personal initiative.	.724	1.609a
Norms encourage entrepreneurial risk-taking.	.820a	.490a
Norms encourage creativity and innovation.	-.770	-.171
Norms emphasize individual responsibility.	-.978aa	.210
Young people are encouraged to start their own business.	.190	.495a
State and local government provide support for new businesses.	.271a	-.883a
Bankers and other investors go out of their way to help new businesses get started.	-.297aa	-.493
Community groups provide good support for those starting new businesses.	-.560a	.397a
Many of your friends have started new businesses.	-.063	-.321
Many of your relatives have started new businesses.	.279	.128
Leaders in your community are people who own their own businesses.	.302	-.186a
<i>Social Resources</i>		
Helper Education	-1.416a	.708a
Helper Experience	1.081aa	1.627a
Helper Prestige	-1.082a	-.284a
Owner Team Education	.865aa	.863
Owner Team Experience	.599	.887a
Owner Team Prestige	-.268	-.179
<i>Individual Resources</i>		
Primary Owner Years of Experience	.747a	.151a
Primary Owner Prestige	.013	-.017
Primary Owner Education	.384	1.204a

Table 4. Comparison of the Initial Stock of Social Resources Between Low Wealth and Higher Wealth Entrepreneurs Seeking Financial Resources, by Phase.

	Entrepreneurs Utilizing Start Up Funds*	Entrepreneurs Utilizing Additional Financial Resources**
<i>Individual Resources</i>		
Primary Owner Years Experience	1.187, p=.234	2.000, p=.047, .360
Primary Owner Education	6.736, p=.000, .468	2.454, p=.015, .372
Primary Owner Prestige	7.068, p=.000, 6.044	3.185, p=.002, 5.822
*t-sample, df=865, t-sample, df=191		

FIGURES

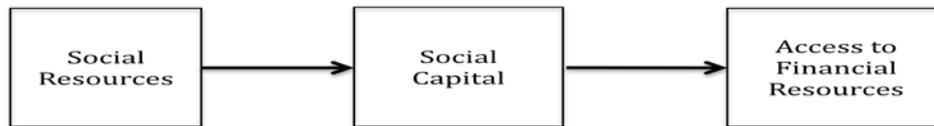


Figure 1. Relationship between social resources, social capital, and economic outcomes.

Table A1. Control Variable Effects for the Dependent Variable, Proportion of Formal Financial Resources, Startup.

Entrepreneurs, Overall.

<i>Control Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>P-value</i>
Industry	-.003	.021	.882
Not Born in the U.S.	-.434	.363	.231
Parents Owned Business	-.074	.174	.670
Female	-.280	.292	.338
Urban Area	.002	.267	.993
NonMetropolitan Area	.233	.287	.418
High Technology	-.342	.206	.096
Management Experience	.065	.078	.405
African American	-.218	.319	.495
Hispanic or Other	-.113	.337	.738
-Constant	-2.719	.758	.000

Low-Wealth Entrepreneurs

<i>Control Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>P-value</i>
Industry	.000	.025	.994
Not Born in the U.S.	-.859	.595	.149
Parents Owned Business	-.196	.112	.081
Female	-.144	.360	.690
Urban Area	-.504	.387	.192
NonMetropolitan Area	-.176	.466	.706
High Technology	-.380	.342	.267
Management Experience	.414	.169	.014
African American	-.279	.680	.681
Hispanic or Other	.369	.326	.259
-Constant	-4.085	1.357	.003

Table A2. Control Variable Effects for the Dependent Variable, Proportion of Formal Financial Resources, Business Development.

Entrepreneurs Overall

<i>Control Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>P-value</i>
Industry	-.062	.023	.007
Not Born in the U.S.	1.934	.378	.000
Parents Owned Business	.122	.232	.598
Female	-.687	.334	.040
Urban Area	-.241	.297	.417
NonMetropolitan Area	.372	.376	.322
High Technology	.117	.276	.417
Management Experience	-.369	.101	.000
African American	-.589	.408	.246
Hispanic or Other	-.677	.449	.132
-Constant	1.128	.857	.188

Low Wealth Entrepreneurs

<i>Control Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>P-value</i>
Industry	.150	.077	.050
Not Born in the U.S.	.429	2.170	.843
Parents Owned Business	2.604	.899	.843
Female	-5.277	1.352	.000
Urban Area	-.057	.913	.951
NonMetropolitan Area	-.005	1.033	.996
High Technology	-3.878	1.814	.033
Management Experience	.2.669	.857	.002
African American	3.076	2.254	.172
Hispanic or Other	2.255	1.151	.052
-Constant	-26.378	4.364	.000

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