Social capital inequality and capital structure of new firms in a developing country: the role of bank ties

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Abstract

Purpose – This article aims to clarify the role of social capital and social capital inequality embedded in bank ties in enabling and diversifying new firms' debt use.

Design/methodology/approach – The study adopts a quantitative method, using an unbalanced longitudinal dataset covering three years–2011, 2013 and 2015–from a project on small manufacturing enterprises in Vietnam. The sample consists of 513 firm-year observations.

Findings – Network extensity and network mobilisation increase new firms' debt use. Differences in ascribed and attained social statuses (i.e. gender, generation, business association membership and political affiliation) result in social capital inequality between entrepreneurs. Entrepreneurs who are of a younger generation, have higher levels of education and are not members of the Communist Party benefit less from social capital than those who are older, have less education and are party members.

Originality/value – The effects of access to and the use of the social capital embedded in bank ties on new firms' debt use are both studied. The sources of social capital inequality are investigated at the individual level through distinguishing ascribed and attained social statuses and explained by two mechanisms: capital deficit and return deficit. The moderating effects of social capital inequality are also examined.

Keywords Capital structure, New firms, Social capital, Network, Bank ties, Developing countries Paper type Research paper

1. Introduction

In their classic work on the capital structure of firms in ten developing countries, Booth *et al.* (2001) argued that the existing knowledge of capital structure has been obtained mainly in the context of developed economies. Since then, scholars have tried to examine the contextual differences of developing countries and their effects on firms' capital structures (e.g. Alves and

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Ferreira, 2011; De Jong *et al.*, 2008; Fan *et al.*, 2012; Jõeveer, 2013; Matemilola *et al.*, 2019; Öztekin, 2015). Nevertheless, most prior research on the capital structure of firms in developing countries has focused on incumbent large or listed firms and has neglected new firms. Regarding the financing of new firms, the existing evidence is mainly available for developed countries (Atherton, 2012; Cassar, 2004; Coleman *et al.*, 2016; Robb and Robinson, 2012; Vaznyte and Andries, 2019) rather than developing ones (Au and Kwan, 2009; Batjargal and Liu, 2004; Nofsinger and Wang, 2011; Staniewski *et al.*, 2016).

There are at least three major reasons that the findings on the capital structure of incumbent large or listed firms in developing countries and new firms in developed countries might not be applicable to new firms in developing countries. First, new firms in developing countries behave differently compared to their counterparts in developed ones, mainly because of their contextual differences in financial, cultural and institutional factors (Bonin and Wachtel, 2003; Wright *et al.*, 2005; Zheng *et al.*, 2012). Second, new firms in developing countries also behave differently than their incumbent large or listed counterparts in the domestic market because of their newness, their lack of collateral and a track record, and the dominant role of their founders (Batjargal and Liu, 2004; Cassar, 2004). Third, contrary to developed countries, which have many institutional similarities (Booth *et al.*, 2001), developing countries include both emerging and transitional economies and cover a large geographic area in different regions of Latin America, Asia, Africa, the Middle East and Central and Eastern Europe that are institutionally heterogeneous (Hoskisson *et al.*, 2000; Wright *et al.*, 2005). Consequently, researchers need to further understand the capital structure of new firms in the contexts of developing countries (Welter and Gartner, 2016).

The importance of contextualisation has been well documented in entrepreneurship research. Entrepreneurs can identify, perceive, interpret and exploit business opportunities quite differently due to their local culture and values (Dana, 1995). Everyday entrepreneurship is very diverse and needs to be investigated in a broader context to better understand its reasons, purposes and values (Welter et al., 2017). Integrating instead of controlling contextual characteristics and dimensions into research models to examine entrepreneurial phenomena within their natural settings can advance theory-building in entrepreneurship research (Welter, 2011; Zahra, 2007; Zahra et al., 2014). A major and unique attribute of developing countries is their institutional environment and its effect on firms' strategic choices (Peng, 2003; Peng et al., 2009). These countries have rapid economic development and a free-market system, and they favor policies of economic liberalisation and competition. However, they still lack or have weak formal market-supporting institutions (Hoskisson et al., 2000). In situations where formal constraints fail, informal constraints embedded in personal ties and social connections play a more important role for firms in developing economies, including their access to external finance (Malesky and Taussig, 2009; Mcmillan, 2007; Peng et al., 2009; Wright et al., 2005). This becomes more critical for new firms, which often have limited internal resources and where entrepreneurs' external relationships are very important for accessing external resources (Jonsson and Lindbergh, 2013). Thus, besides the conventional theories of capital structure like the static trade-off model (STO), the pecking order hypothesis (POH) and agency theory (AT) (Booth et al., 2001), the network theory of social capital (NTSC) could be an important approach to investigating the financial structures of new firms in developing countries (Burt, 2000; Le and Nguyen, 2009; Lin, 2001).

NTSC defines social capital as resources (physical or symbolic goods and economic, political or social assets) that can be captured though social relations (Lin, 2001). NTSC suggests that social capital is unequally distributed among individuals and that the inequality of social capital can lead to social inequality (Lin, 2000, 2001; Lin and Erickson, 2012). However, empirical studies have mainly focused on the direct effect of managerial ties on firms' strategies, bank loans, innovations and performance (Guo *et al.*, 2014; Malesky and Taussig, 2009; Stam *et al.*, 2014). Scholars ignore that entrepreneurs are individually

heterogenous in terms of ability, motivation and strategy to develop and exploit social networks (Lin, 2001; Lin and Erickson, 2012) and rarely investigate the sources or origins of social capital and social capital inequality at the individual level. The moderating effect of social capital inequality on the relationship between social capital and capital structure is therefore neglected. In addition, the capitalisation process of social capital includes different stages-investment, access, use and return (Klyver and Schenkel, 2013; Lin, 2001; Lin and Erickson, 2012). Social capital also covers different dimensions-structural, cognitive and relational (Burt, 2000; Jonsson, 2015; Jonsson and Lindbergh, 2013; Lee and Jones, 2015; Nahapiet and Ghoshal, 1998; Nordstrom Onnolee and Steier, 2015)-that can be measured by different criteria (Borgatti et al., 1998; Lin, 2001). But empirical studies on capital structure tend to focus more on the access stage and have used a generic measurement of social capital (Gao et al., 2017; Guo et al., 2014; Le and Nguyen, 2009; Le et al., 2006; Peng and Luo, 2000). Furthermore, the financial sectors of developing countries consist mainly of the banking sectors; non-banking financial institutions such as stock, bond and insurance markets are growing but still quite small (Bonin and Wachtel, 2003). Thus, among several social relations that entrepreneurs can invest in and expect returns from (Lin, 2001), relations with bank officials can play a critical role in accessing external financing for new firms in these countries. Nevertheless, prior studies have investigated only the business and/or political ties of incumbent firms rather than the bank ties of new firms.

The current study aims to fill these gaps by focusing on the relational dimension of the social capital embedded in bank ties, that is, resources and supports resulting from both impersonal ties (i.e. arm's-length or market-based ties) and personal ties developed between entrepreneurs of new firms and bank officials (Jonsson and Lindbergh, 2013; Malesky and Taussig, 2009). This relational dimension of social capital is measured by two criteria suggested by the NTSC. The first criterion is related to the access stage and defined as the number (size and volume) of formal and informal contacts that entrepreneurs have established with bank officials-"network extensity". The second criterion is related to the use stage and defined as the mobilisation of bank contacts' resources and supports-"network mobilisation" (Borgatti et al., 1998; Klyver and Schenkel, 2013; Lin, 2001). This study also clarifies some key social status factors as suggested by the NTSC and based on the context of developing countries (Burt, 2000; Lin, 2001; Lin and Erickson, 2012) that can play a contingent role and influence the distribution of social capital. In a nutshell, the current work tries to answer three research questions: (1) What is the effect of access to (i.e. network extensity) and the use of (i.e. network mobilisation) social capital on the capital structures of new firms? (2) What are the factors that can lead to the unequal distribution of social capital embedded in the bank ties of new firms' entrepreneurs? and (3) How does this unequal distribution of social capital, or social capital inequality, moderate the effect of the social capital embedded in bank ties on the capital structures of new firms?

These questions are investigated in the context of Vietnam, a typical case that represents the lower middle-income group of developing economies. Firms from this group of developing countries are growing in both domestic and foreign markets, but access to financing is still the biggest barrier, mostly for new and small firms (Beck and Demirguc-Kunt, 2006; Kushnir *et al.*, 2010). Since its formal reform in 1986, Vietnam has transitioned from a centrally-planned to a market-oriented economy, achieving a high growth rate of about 7% from 1990 to 2017, and reducing poverty rates from 38.6% in the early 2000s to 2% in 2016 (Kim and Poensgen, 2019). The development of the private sector and the creation of new firms have strongly contributed to these remarkable achievements for this emerging economy in the southeast Asian region. However, it was estimated that about 20–25% of new and small Vietnamese firms failed to access bank loans (Vo *et al.*, 2011). Thus, studying the capital structure of new firms in Vietnam will reveal insightful implications for entrepreneurs and policy makers in other developing countries.

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The remainder of this article is organised as follows. Section 2 discusses the theoretical background and hypothesis development. Section 3 introduces the methodological design to address the research questions. Section 4 reports the empirical results. Section 5 offers detailed discussions of the findings and potential implications. Section 6 provides some concluding remarks.

2. Theories and hypothesis development

2.1 Social capital embedded in bank ties and capital structure of new firms

The primary proposition of the NTSC predicts that access to and use of better social capital leads to more successful actions, including the expressive actions of maintaining and protecting existing valued resources and the instrumental actions of gaining additional valued resources (Lin, 2001). The social capital of an entrepreneur is considered as better if the size or volume of her/his network is larger–*network extensity*–or if he/she has contacts of higher social status, class or authority–*network upper reachability*–or if he/she has contacts with more diversified social statuses–*network heterogeneity* (Lin, 2001).

In the context of weak or lacking formal-market supporting institutions (e.g., weak protection of private property rights and investors, burdens of bureaucracy and corruption), entrepreneurs in developing countries have to rely more on their social networks to reduce risk and uncertainty as well as to better access information and resources (Mcmillan and Woodruff, 1998; Ngo et al., 2016b). Informal constraints embedded in interpersonal networks are "conspicuous" in developing and transitional economies (Mcmillan, 2007) and called by different names in local languages-for example, "guanxi" in Chinese, "blat" in Russian (Peng and Luo, 2000) and "quan-hê" in Vietnamese. By contrast, formal constraints become "invisible" in developed economies (Mcmillan, 2007) and firms rely more on impersonal ties or formal social relationships because their formal market-supporting institutions are well established (Peng et al., 2009). These compensatory structures of formal and informal institutions and interpersonal and impersonal social relations help societies continue to survive and evolve. In other words, entrepreneurs in both developed and developing countries excel in investing in social relations and capturing resources from their social networks. However, entrepreneurs in the latter group need to rely more on social relations, mostly personal or informal connections, to gain and maintain resources. including finance (Malesky and Taussig, 2009; Peng and Luo, 2000).

Entrepreneurial finance includes different sources of finance types and providers (Cumming *et al.*, 2019). Most new and small firms, especially those in developing countries, depend highly on internal finance (e.g., retained earnings) for investment and growth (Ayyagari *et al.*, 2010; Petersen and Carpenter, 2002). However, the use of external finance through debt also plays an important role in the capital structure of new firms in developing countries because their internal financing is often not enough to exploit newly recognised opportunities (Tran and Santarelli, 2013). To date, studies in developing economies like Vietnam and China have found significant evidence concerning the direct and positive effect of access to social capital on firms' bank loans (Le and Nguyen, 2009; Le *et al.*, 2006; Malesky and Taussig, 2009), innovation and performance (Gao *et al.*, 2017; Guo *et al.*, 2014; Peng and Luo, 2000; Zhou *et al.*, 2019) and the moderating effect of social capital on the decision-making processes of venture capitalists (Batjargal and Liu, 2004). However, these studies have focused solely on the *access* to social capital through business and political ties rather than banking ties and neglected the *use* of social capital.

Access to, or the availability of, resources is essential for entrepreneurial action—the more, the better (Klyver and Schenkel, 2013). However, the use or mobilisation of resources also matters for at least two reasons. First, from the capitalisation process perspective, the use stage is subsequent to the access stage, and these two stages should be closely interrelated (Lin, 2001). Second, when different resources types are used (e.g., human, social and financial

capital), the interplay (i.e. complementary, substitution and neutral effects) among resource types during their combination process can differently influence entrepreneurial outcomes (Klyver and Schenkel, 2013). The financial sectors of developing countries consist mainly of the banking sectors, and their firms are often resourceless (Beck *et al.*, 2008; Bonin and Wachtel, 2003). Thus, the use or mobilisation of bank ties, under the form of interpersonal or impersonal relations, is important for entrepreneurs. In other words, both access to (network extensity) and the use of (network mobilisation) the social capital embedded in bank ties, regardless of its nature (i.e. arm's-length or social bonds), could have a positive effect on the instrumental action of new firms in Vietnam's gaining external finance (i.e. using debt). Thus, the first hypothesis of this study states:

H1. The capital structure of new firms in Vietnam, measured as the level of debt use, is positively associated with (a) the access to (i.e. network extensity) and (b) the use of (i.e. network mobilisation) bank ties possessed by their entrepreneurs.

2.2 Sources of social capital and social capital inequality embedded in bank ties

The NTSC suggests that individuals who hold advantaged social positions or status will have more chances to enrich their social networks and, therefore, possess more social capital (Lin, 2001; Lin and Erickson, 2012). The social statuses of individuals can be classified into two groups: ascribed positions and attained positions. Ascribed positions are statuses inherited by individuals, usually from their families, communities and societies, such as gender, parents' socioeconomic background, race, ethnicity, nationality, culture and so on. By contrast, attained positions are statuses acquired and occupied mostly through the effort of individuals, such as education, working status, professional positions in hierarchical organisations, voluntary associations and so on (Lin, 2001; Lin and Erickson, 2012). The difference between ascribed and attained positions results in the inequality of social capital through two processes or mechanisms: the capital deficit and the return deficit (Lin, 2000, 2001).

The "capital deficit" refers to the shortage in quantity and/or quality of social capital of one individual relative to another at a specific time (t) resulting from the difference in investment that the individuals have received before (t - 1) (Lin, 2001). For example, in countries with large gender gaps, daughters receive less parental investment in education than sons. Females are encouraged by their families and communities to focus on caregiving roles rather than breadwinning roles. Consequently, the quantity and quality of social capital is often lower for women than for men (Lin, 2000). Meanwhile, the "return deficit" means that for a given quantity or quality of social capital, one individual can generate better or worse returns or outcomes than another because of their social position or status (Lin, 2000, 2001). For example, women often occupy lower positions in their organisations and receive less earnings than men despite having similar or even higher profiles or performance, inclusive of social networks and social capital, than men (Lin, 2000).

In the context of Vietnam, the current study focuses on two ascribed social status factors (gender and generation) and three attained social status factors (education, memberships in business associations and political party affiliation) as sources of social capital and social capital inequality. The rationale for the selection of these sources and their effects on the distribution of social capital (i.e. social ties access and use) through capital deficit and/or return deficit mechanisms is presented below.

Gender inequality is still an issue in Vietnam. The Gender Inequality Index of Vietnam has decreased from 0.38 in 1995 to 0.314 in 2018, but it is very high compared to other Asian countries like South Korea (0.058), Japan (0.099) and China (0.163). Most women (93.06%) and men (92.72%) in Vietnam have at least one gender-biased norm (United Nations Development Programme, 2020). Within the family, a preference for sons and a skewed sex ratio at birth are prevalent in Vietnam (Guilmoto, 2012; Treleaven *et al.*, 2016). Vietnamese women are mainly

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responsible for unpaid domestic work, while men are expected to guarantee the economic life of the family and have more power to make important decisions (Jayakody and Phuong, 2013; Knodel *et al.*, 2005; Teerawichitchainan *et al.*, 2010). Thus, social capital could be unequally distributed among men and women in Vietnam mostly due to the capital deficit process. Men generally receive more investment, have a higher social status and can therefore access and use more social ties and social capital than women.

For most Vietnamese people, the year 1975 represents a great landmark of unification after several decades of wars. Vietnam officially reformed its economy in 1986 and has been actively participating in regional and international institutions such as the Association of South-East Asian Nations in 1995, the Vietnam-USA Free Trade Agreement in 2001, the World Trade Organization in 2007, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018 and the Vietnam-European Union Free Trade Agreement in 2020. Compared to their elders, the generation of Vietnamese people who were born after 1975 generally enjoys more favorable conditions resulting from peace, education, development and globalisation. In other words, the post-1975 generation receives more investment and could have more opportunities to enrich its social networks, and to access and use better social capital embedded in social relations than the older generation, mostly due to the capital deficit mechanism.

Among attained social status factors, education is unanimously considered to be an important source of social capital and social capital inequality (Huang *et al.*, 2009; Lin, 2001). Individuals with higher education levels often receive better investment. They can access and use more social capital and generate higher returns because they can access better information, acquire a higher social reputation, occupy better jobs and so on. In the early days of independence in 1945, about 95% of Vietnamese people were illiterate. Today, the literacy rate of adults in Vietnam is about 95%. Nevertheless, the percentage of people who have completed tertiary education is still low at about 21.9%. Only about 12.7% of employed people aged 15 years and above in Vietnam have a degree from a college or university (General Statistics Office, 2018). Influenced by Confucianism, Vietnamese people perceive education as a major way to achieve higher social status. In other words, the social capital embedded in social relations could be unequally distributed within the Vietnamese population by their education levels through both capital and return deficit mechanisms.

Voluntary associations, including business associations, are social locations that people of very different social statuses join to share their common interests (Lin and Erickson, 2012). Being members of business associations provides entrepreneurs with the chance to connect with different contacts and gain access to and use their resources, mainly due to the return deficit mechanism. Since Vietnam's reform in 1986, several business associations have been established in the country. Vietnam hosts more than 714,000 enterprises, of which 99% have fewer than 300 employees (General Statistics Office, 2016). The percentage of entrepreneurs who are members of business associations in Vietnam is still very low. For example, the largest business association, the Vietnam Chamber of Commerce and Industry (VCCI), established in 1963, has barely more than 10,000 official members. In this context, the difference of social capital between entrepreneurs who are members of business associations and those who are not could be substantial.

In the context of Vietnam, being a member of the Communist Party of Vietnam (CPV) could bring several advantages to individuals. They can receive "investment" (e.g., training) from the CPV to improve their leadership ability. Most government positions at all levels in Vietnam are occupied by members of the CPV, who can access better information and resources. Thus, the status of CPVaccess membership can allow individuals better access and use social capital and enable them to generate better returns from social relations within and outside their political organisation through the return deficit mechanism. Empirical studies in Vietnam (Malesky and Taussig, 2009) and China (Gao *et al.*, 2017; Guo *et al.*, 2014; Peng and

Luo, 2000; Zhou *et al.*, 2019) have shown that entrepreneurs who have managerial ties with Party members and government officials can access better social capital, which positively influences their firms' access to bank loans, innovation and performance. Thus, if entrepreneurs are themselves members of the CPV, the effect of this social status on the unequal distribution of social capital could be substantial.

The above clarification of capital deficit and return deficit mechanisms and of some key social statuses in the context of Vietnam leads to the second hypothesis:

H2. (a) The access to (i.e. network extensity) and (b) the use of (i.e. network mobilisation) of bank ties by new firms in Vietnam are positively associated with (1) male entrepreneurs, (2) entrepreneurs of the post-1975 generation, (3) entrepreneurs with higher education levels, (4) entrepreneurs who are members of business associations and (5) entrepreneurs who are members of the CPV.

2.3 Social capital inequality as a moderating factor of new firms' capital structures Because social capital is unequally distributed among individuals, groups and communities,

social capital inequality can moderate the relationship between social capital and entrepreneurial behaviours and outcomes (Lin, 2001; Lin and Erickson, 2012). Previous studies that applied the contingency approach focused mainly on sources of social capital and social capital inequality at the organisational (Peng and Luo, 2000) and national levels (Thai Mai Thi *et al.*, 2020) but neglected the individual level. This study aims to fill this gap.

In Vietnam, the transition toward a market-based economy and the globalisation of the domestic market and society could produce different effects on the values, attitudes, ability and behaviour of individuals of different groups. People of younger generations are more open to change and experience new values from different channels (Khanh Ha et al., 2015). Thus, younger generations could be more motivated and able to develop larger social networks with different stakeholders. In a similar vein, more educated entrepreneurs may have higher trust in other people and join more social organisations and social activities (Helliwell and Putnam, 2007; Huang et al., 2009). On the other hand, younger people with higher education levels tend to move towards self-determination, new challenges and selfenhancement and pay less attention to the values of tradition and security (Khanh Ha et al., 2015). This means that entrepreneurs of a younger generation and those with higher education levels could prefer to rely more on a formal customer-creditor framework (i.e. impersonal, arm's-length and market-based relations) rather than on social bonds (e.g., personal relationships such as family, friends, ethnic cohorts and political acquaintances or embedded ties) to access and maintain resources. Thus, the direct and positive effect of the social capital embedded in bank ties on new firms' debt use could be smaller for entrepreneurs belonging to a younger generation and having higher education levels.

Social capital and network could be unequally gendered, mostly from the legitimacy and structural perspectives (Burt, 1998; Lin, 2000). The resistance of men to involvement in gender equality activities is very high because it is difficult for them to abandon their legitimacy, structural positions and power (Connell, 2003; Hearn, 2001). This means that men could prefer to use more social ties and social capital to access resources because this is their structural advantage. Thus, the direct and positive effect of the social capital embedded in bank ties on new firms' debt use could be stronger for male entrepreneurs. Similarly, although entrepreneurs who are members of business associations or of the CPV often have higher education levels than non-members, they still could be "pushed" by organisational and group pressures to exploit both impersonal and interpersonal relationships to gain and maintain resources not only for themselves but also for their organisations. By doing that, entrepreneurs and their organisations can save their uniformity, legitimacy, identity and structure (Hochbaum, 1954). This means that entrepreneurs who have more organisational

and political roles could use more social ties and social capital to access external resources even when they do not want to do so. Thus, the direct and positive effect of the social capital embedded in bank ties on new firms' debt use could be stronger for entrepreneurs who are members of a business association or of the CPV. Following these arguments, the current study posits the third hypothesis:

H3. The effect of (a) the access to (i.e. network extensity) and (b) the use of (i.e. network mobilisation) bank ties on new firms' capital structures in Vietnam, measured as the level of debt use, is smaller for (1) entrepreneurs of the post-1975 generation and (2) entrepreneurs with higher education levels, but is stronger for (3) male entrepreneurs, (4) entrepreneurs who are members of business associations and (5) entrepreneurs who are members of the CPV.

In sum, this study focuses mainly on the social dimension (i.e. the social network) of the context (Zahra *et al.*, 2014). By adopting the contextualising strategies suggested by Zahra (2007), this study applies an established theory (NTSC) to investigate an established phenomenon (i.e. the capital structure) but explores new contingent factors at the individual level that are related to the sources or origins of the social capital and social capital inequality embedded in bank ties of new firms in a developing country, namely Vietnam. These contingent factors are the ascribed and attained social statuses of new firms' entrepreneurs, including gender, generation, education, membership in a business association and political affiliation. They are hypothesised to moderate the direct and positive effect of network extensity and network mobilisation on the capital structure (i.e. debt use) of new firms. These dimensions of social capital and debt use can be considered as three stages of the capitalisation process–access to, use of and the return from social capital.

3. Methods

3.1 Sample

This study uses a longitudinal dataset covering three years–2011, 2013 and 2015–from the project "Survey of Small and Medium Scale Manufacturing Enterprises in Vietnam". This survey is compiled by the Central Institute for Economic Management (CIEM); the Institute of Labor, Science, and Social Affairs (ILSSA); the Development Economics Research Group (DERG) at the University of Copenhagen; and the World Institute for Development Economics Research (UNU-WIDER) at United Nations University. The data were collected through a survey conducted in ten provinces/cities out of 63 provinces/cities of the country: northern provinces/cities (Hanoi, Ha Tay [merged with Hanoi since 2008], Phu Tho and Hai Phong), southern provinces/cities (Ho Chi Minh City, Khanh Hoa and Long An), and central provinces/cities (Nghe An, Quang Nam and Lam Dong). The population of non-state manufacturing enterprises was provided by the General Statistics Office of Vietnam, and the stratified sampling method was used based on ownership forms. Each survey round includes both repeated (about 81%) and new firms [1]. The dataset consists of 7,701 firm-year observations.

The target population of this study is new firms. Prior studies have provided different definitions of start-ups and new firms in terms of firm age, ranging from less than one year to three years (Cassar, 2004; Jonsson and Lindbergh, 2013; Nofsinger and Wang, 2011; Seghers *et al.*, 2012; Vaznyte and Andries, 2019), four years (Robb and Coleman, 2009; Staniewski *et al.*, 2016), or even seven or eight years (Coleman *et al.*, 2016; Robb and Robinson, 2012). A threshold of five years is used because it is agreed unanimously that the first five years are critical for the survival of start-ups and new firms (Wamba *et al.*, 2017) and firms less than five years old are major contributors to net growth in jobs and revenues (Davila *et al.*, 2015). Furthermore, two additional selection criteria were applied. First, the ownership percentage of the largest owner/shareholder should be more than 51%. Second, the respondents to the questionnaires were the firms' owners. The final sample consists of 513 firm-year

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observations and is an unbalanced dataset (i.e. not all firms have observations in all three years of 2011, 2013 and 2015). In general, the sample distribution of new firms by provinces/ cities reflects well the distribution of total firms in the dataset (see Tables 1 and 2).

3.2 Variables

The main dependent variable, *capital structure*, is adapted from the work of Booth *et al.* (2001) and is measured as the ratio of total liabilities (total debt) to total liabilities plus total assets (market value). This measurement of capital structure is used because debt, both formal and informal, is the most important source of external finance for firms in developing countries as compared with other sources, such as private and public equity (Bonin and Wachtel, 2003). Regarding independent variables, social capital is the sole resource type that is investigated. It includes both interpersonal and impersonal relationships between new firms' entrepreneurs and bank officials. Thus, the use of social capital is considered in this study as the stage subsequent to the access stage in the capitalisation process rather than as the combination of different types of resources (Klyver and Schenkel, 2013). More precisely, access to social capital, or *network extensity*, is measured as the natural logarithm of the number of bank officials (including both formal and informal contacts) that the firm's entrepreneur currently has regular contact with (contact at least once every three months which he/she finds useful for her/his business). The use of social capital, or *network mobilisation*, is defined as the natural logarithm of the number of times that bank officials (including both formal and informal contacts) assisted in issues related to the operation of the firm in the previous twelve months of the survey year. These measurements of social capital are adapted from prior works of the NTSC (Borgatti et al., 1998; Burt, 2000; Lin, 2001). The ascribed social status of *gender* is coded as one if the entrepreneur is male, zero otherwise. The ascribed social status of *generation* is coded as one if the entrepreneur was born after 1975, zero otherwise. The attained social status of *education* is coded as one if the education level of the entrepreneur is college, bachelor or higher, zero otherwise. The attained social status of *business membership* is coded as one if the firm is a member of one or more business associations, zero otherwise. The attained social status of *political membership* is coded as one if the entrepreneur is a member of the Communist Party of Vietnam, zero otherwise, Some variables that are suggested by conventional theories of capital structure such as STO, POH and AT like firm age, firm size, tangibility, profitability and legal status are introduced as control variables. The definition and measurement of all variables are presented in Table 3.

4. Results

4.1 Descriptive statistics

The summary of descriptive statistics and correlation analysis is presented in Table 4. The correlation analysis with variance inflation factors (VIFs) that are all well below 10 shows that multicollinearity problems are not a concern in this study (Hair *et al.*, 2019). *T*-test statistics are presented in Table 5 and show several statistically significant differences between females and males, pre- and post-1975 generations, lower and higher education levels, and non-membership and membership in business associations and the CPV relative to capital structure, social capital and some other individual and firm characteristics. The measure of effect size using Hedges's g shows that the difference in the means of statistically significant pairs is very strong, ranging from min. = 0.16 to max. = 1.11. The next section will clarify whether these differences lead to the outcomes predicted by the hypotheses.

4.2 Multivariate analysis

The results of Hausman specification tests suggest that random effect models are more useful than fixed effect models (p-values > 0.05).

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New firms # % 4012513812 100 44 31 $\begin{array}{c} 61 \\ 42 \\ 66 \\ 63 \\ 28 \\ 23 \\ 23 \\ 20 \\ 20 \\ 213 \\ 20 \\ 213 \\ 20 \\ 213 \\ 20 \\ 213 \\ 20 \\ 213 \\ 20 \\ 213 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 212 \\ 2$ Total Total firms ++ % $^{110}_{748}$ 4 n $^{24}_{100}$ $\begin{array}{c} 862\\ 772\\ 772\\ 627\\ 627\\ 502\\ 288\\ 265\\ 288\\ 265\\ 288\\ 265\\ 395\\ 395\\ 7,701\end{array}$ New firms # % $111 \\ 113 \\ 113 \\ 135 \\ 126 \\ 26 \\ 26 \\ 26 \\ 120 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 135 \\ 1$ 17 $\begin{array}{c} 1 \\ 35 \\ 6 \\ 6 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\ 733 \\$ $^{11}_{7}$ 2015 Total firms 100 22 110 6 13 8 4 4 Note(s): New firms = firm age is equal to or less than 5 years + single ownership + respondent is owner $133 \\ 2,647$ 661 33 5 100 New firms # % 15 8 10 4 $\begin{smallmatrix} & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & \\ & & & & \\ & & & \\ & & & & \\ & & & & \\ & & & & \\ & & & & \\ & & & & \\ & & & & \\ & & & & \\ & & & & \\ & & & & \\ & & &$ 158 $\begin{array}{c}116\\6\\12\\12\\12\end{array}$ $\begin{smallmatrix}&3\\52\\8\end{smallmatrix}$ 2013 Total firms ^{⊥⊥} % 8 14 4 ന 52 100 10 14 $\begin{array}{c} 285\\ 262\\ 347\\ 191\\ 350\\ 91\\ 88\\ 625\\ 136\\ 625\\ 136\\ 2542\\ 2,542\end{array}$ $14 \\ 5 \\ 5 \\ 33 \\ 33 \\ 33 \\ 33 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 1$ New firms # % 7 [2 10 $\begin{smallmatrix}&26\\15\\11\\12\\22\\30\\11\\12\\73\\73\\73\\6\end{smallmatrix}$ 222 2011 ∞ 14 4 လ $_{5}^{24}$ 100 Total firms _ # % 101 $592 \\ 126 \\ 2,512$ 279 255 349 349 352 352 352 83 83 Lam Dong Ho Chi Minh city Province/cities Quang Nam Khanh Hoa Ha Tay Hai Phong Long An *Total* Phu Tho Nghe An Hanoi

Table 1.Sample distribution byprovinces/cities

Variable	Obs	Mean	Std.Dev	Min	Max	inequality and
Capital structure	513	0.06	0.1	0	0.49	capital
Male	513	0.72	0.45	0	1	atmiatima
Post-1975 generation	513	0.42	0.49	0	1	suucture
Higher education	513	0.19	0.39	0	1	
Business association	513	0.03	0.17	0	1	
CPV	513	0.06	0.24	0	1	
Network extensity	513	0.98	2.35	0	38	
Network mobilization	513	2.35	5.96	0	70	
Firm age (year)	513	3.67	1.11	2	5	
Firm size (million VND)	513	2330.23	4159.03	5.9	56,440	
Tangibility (tangible assets/total assets)	513	0.83	0.16	0.11	1	
Profitability (net income/total assets)	513	0.41	0.67	-0.21	4.88	
Legal status	513	0.26	0.44	0	1	
Note(s) : New firms = firm age is equal to 1 USD \approx 23,000 VND (2021)	Table 2. Sample characteristics					

Variable	Definition	
Capital structure Social status	total liabilities/(total liabilities + total assets)	
Gender Generation	equals one if entrepreneur is male, zero otherwise	
Education	equals one if the education level of entrepreneur is higher (i.e. college, bachelor or	
Business	equals one if firm is member of one or more business associations, zero otherwise	
membership Political membership	equals one if entrepreneur is member of the Communist Party of Vietnam, zero otherwise	
<i>Social capital</i> Network extensity	natural logarithm of the number of bank officials (including both formal and informal contacts) that the firm's entrepreneur currently (presently) has regular contact with	
Network mobilization	(contact at least once every 3 months which s/he finds useful for her/his business) natural logarithm of the number of times that bank officials (including both formal and informal contacts) assisted in issues related to the operation of firm in previous twelve months of the survey year	
<i>Control variables</i> Firm age Firm size Tangibility	natural logarithm of firm age in year natural logarithm of firm's total assets (market value) tangible assets/total assets (market value)	
Profitability Legal status	return on assets = net income/total assets (market value) equals one if form of ownership/legal status is limited liability company or joint stock company, zero other wise	Table 3
Note(s): New firms =	= firm age is equal to or less than 5 years + single ownership + respondent is owner	Definition of variables

4.2.1 Social capital embedded in bank ties and capital structure. The direct effect of access to (i.e. network extensity) and the use of (i.e. network mobilisation) social capital on capital structure is reported in Tables 6 and 7 (H1a and H1b). The results show that the social capital embedded in bank ties (i.e. network extensity and network mobilization), significantly and positively influences the capital structures of new firms. This direct effect of social capital is

IJEBR	(4)	1 0.19**** 0.09*** 0.10*** 0.10** 0.10** 0.26**** 0.26**** 0.26**** 0.37****	(13)	-
	(3)	1 0.02 -0.01 -0.03 0.03 0.03 -0.05 -0.17***	(12)	1
	(2)	$\begin{array}{c} 1\\ -0.07\\ -0.03\\ 0.03\\ 0.01\\ **\\ 0.08\\ *\\ 0.06\\ -0.04\\ 0.05\\ -0.04\\ 0.02\\ -0.04\\ -0.04\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02\\ -0.02$	(11)	1 -0.36***
	(1)	1 0.09** 0.00 0.00 0.12**** 0.12**** 0.38**** 0.38**** 0.38**** 0.03 0.04 0.04	(10)	1 0.32**** 0.54****
	VIFs	$\begin{array}{c} 1.02\\ 1.10\\ 1.08\\ 1.05\\ 1.05\\ 1.05\\ 1.05\\ 1.25\\ 1.25\\ 1.25\\ 1.25\\ 1.25\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\ 1.37\\$	(6)	$\begin{array}{c} 1 \\ 0.05 \\ -0.06 \\ -0.03 \end{array}$
	Max	$\begin{array}{c} 0.49\\ 1.00\\ 1.00\\ 1.00\\ 3.66\\ 1.79\\ 1.79\\ 1.79\\ 1.00\\ 1.79\\ 1.00\\ 1.00\\ 1.00\end{array}$	(8)	1 0.00 0.15*** -0.02 -0.07 0.16***
	Min	$\begin{array}{c} 0.00\\ 0.00\\ 0.00\\ 0.00\\ 0.00\\ 0.00\\ 0.00\\ 0.00\\ 1.10\\ 0.01\\ 1.93\\ 0.01\\ 0.01\\ 0.01\\ 0.00\end{array}$	(2)	$\begin{array}{c} 1\\ 0.78^{***}\\ -0.02\\ 0.16^{***}\\ -0.02\\ -0.07\\ 0.21^{***}\end{array}$
	Std.Dev	$\begin{array}{c} 0.10\\ 0.45\\ 0.45\\ 0.39\\ 0.17\\ 0.24\\ 0.60\\ 0.60\\ 0.25\\ 0.25\\ 0.16\\ 0.16\\ 0.16\\ 0.44\\ 0.16\end{array}$	(9)	1 0.08* 0.10** 0.05 0.02 0.04 0.01 0.11**
	Mean	$\begin{array}{c} 0.06\\ 0.72\\ 0.72\\ 0.19\\ 0.06\\ 0.06\\ 0.66\\ 0.66\\ 0.66\\ 0.68\\ 0.83\\ 0.83\\ 0.41\\ 0.83\\ 0.83\\ 0.26\\ 0.26\end{array}$		**** **** **** ***
	Obs	513 513 513 513 513 513 513 513 513 513	(5)	$\begin{array}{c} 1 \\ 0.15 \\ 0.14 \\ 0.14 \\ 0.03 \\ 0.02 \\ 0.02 \\ 0.06 \\ 0.08 \\ 0.06 \end{array}$
Table 4. Summary statistics	Variables	 Capital structure Male Post-1975 generation Higher education Business association Business association Network extensity Network mobilization Firm age Firm age Firm age Firm age Firm size Firm sin <l< td=""><td>Variables</td><td> Capital structure Male Post-1975 generation Higher education Business association Business association CPV Network extensity Network mobilization Firm age Firm size </td></l<>	Variables	 Capital structure Male Post-1975 generation Higher education Business association Business association CPV Network extensity Network mobilization Firm age Firm size

	Gender (F	temale vs male)	Generation 1	(before vs after 975)	Education (lower vs higher evel)	Business as member	ssociation (non- vs member)	CPV (nor me	-member vs mber)
	<i>t</i> -value	Effect size (Hedges's g)	<i>t</i> -value	Effect size (Hedges's g)	<i>t</i> -value	Effect size (Hedges's g)	<i>t</i> -value	Effect size (Hedges's g)	<i>t</i> -value	Effect size (Hedges's g)
Capital	-2.1^{**}	-0.207	0.000	-0.001	1.000	0.111	-1.550	-0.411	-2.75***	-0.511
structure Network	-2.4^{**}	-0.235	-0.700	-0.061	-2.2**	-0.252	-2.75***	-0.724	-1.8*	-0.333
extensity Network	-1.9*	-0.187	-2.0^{**}	-0.178	-2.35**	-0.267	-3.1***	-0.809	-2.3**	-0.422
moburzauon Male Post-1975	1.500	0.150	1.500	0.136	0.650 - 0.350	0.072 - 0.041	$-0.700 \\ 0.100$	-0.180 0.032	$^{-1.500}_{-1.85*}$	-0.278 0.339
generation Higher	0.650	0.063	-0.350	-0.032			-4.25***	-1.116	-2.05**	-0.377
euucauon Business	-0.700	-0.068	0.100	0.011	-4.25^{***}	-0.484			-3.45***	-0.635
association CPV Firm age	-1.500 0.250	-0.148 0.027	1.85^{*} 1.450	$0.164 \\ 0.131$	-2.050 1.7*	-0.231 0.191	-3.45^{***}	-0.899 -0.179	-1.150	-0.212
Firm size Tangibility Profitability	-1.050 0.050 0.800	-0.104 0.006 0.079	5.3*** 3.85*** -2.15**	$\begin{array}{c} 0.475 \\ 0.343 \\ -0.191 \end{array}$	-6.05^{***} 0.650 2.35^{**}	-0.684 0.074 0.264	-2.85^{***} 1.200 0.500	-0.745 0.316 0.135	-2.7^{***} -0.050 0.850	-0.502 -0.008 0.156
(kUA) Legal status Note(s): ***\$p <	-0.400 0.01, **p <	-0.040 0.05, *p < 0.1	1.400	0.125	-9.1***	-1.034	-1.9*	-0.493	-2.55**	-0.474

Social capital inequality and capital structure

> Table 5. *T*-test

IJEBK		Capital structure					
			1	2	3	4	5
	Control variables						
	Male		0.008	0.006	0.003	0.005	0.005
			(0.010)	(0.010)	(0.009)	(0.010)	(0.010)
	After-1975 generation		0.008	-0.002	-0.005	-0.004	-0.005
			(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
	Higher education		-0.022**	-0.001	-0.024**	-0.024**	-0.026***
	Designed		(0.010)	(0.010)	(0.010)	(0.010)	(0.010)
	Business association		(0.007)	0.013	0.005	-0.025	(0.001)
	CPV		(0.024)	(0.023)	(0.024)	(0.023)	(0.023)
			(0.020)	(0.012)	(0.011)	(0.020)	(0.017)
	Firm age		-0.012	-0.011	-0.012	-0.012	-0.014
	+8+		(0.016)	(0.016)	(0.016)	(0.016)	(0.016)
	Firm size		0.000	0.001	0.000	0.001	0.001
			(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
	Tangibility		-0.081**	-0.078^{**}	-0.083^{**}	-0.084**	-0.089^{***}
			(0.033)	(0.034)	(0.034)	(0.033)	(0.033)
	Profitability (ROA)		0.003	0.005	0.003	0.004	0.000
	Local status		(0.010)	(0.009)	(0.010)	(0.010)	(0.009)
	Legal status		(0.021)	(0.024)	(0.022)	(0.022)	(0.021)
	Year dummies		(0.012) Yes	(0.012) Yes	(0.012) Yes	(0.012) Yes	(0.012) Yes
	Provinces dummies		Yes	Yes	Yes	Yes	Yes
	Independent variables			0.000	0.050444		
	Network extensity	HIa	0.070^{***}	0.068^{***}	0.050***	0.055***	0.050***
	Notwork oxtonoity # After	U 261	(0.011) 0.027*	(0.011)	(0.018)	(0.009)	(0.009)
	1975 generation	11541	-0.027				
	Network extensity # Higher	H3a2	(0.010)	-0.045***			
	education	11002		01010			
				(0.016)			
	Network extensity # Male	H3a3			0.008		
					(0.020)		
	Network extensity #	H3a4				0.036	
	Business association					(0,020)	
	Notwork extensity # CDV	U2 ₀ 5				(0.036)	0.005***
	Network extensity # Cr V	11545					(0.031)
	Constant		0.071*	0.063	0.084**	0.081*	0.090**
	Constant		(0.041)	(0.042)	(0.041)	(0.042)	(0.041)
	Observations		513	513	513	513	513
	<i>R</i> -sq		0.29	0.31	0.29	0.29	0.30
Table 6.	Wald χ^2		161.10	150.90	147.00	148.60	152.80
Network extensity and	$\text{Prob} > \chi^2$		0.00	0.00	0.00	0.00	0.00
capital structure of new firms	Note(s) : Robust standard err ***p < 0.01, **p < 0.05, *p < 0.05	ors in pai 0.1	rentheses. Ran	dom effect mo	odels		

very consistent, even when control variables are introduced into the models. In short, entrepreneurs who have more contacts with and receive more support from their bank contacts can access more external financial resources. Hypotheses 1a and 1b are strongly supported.

			C	Capital structu	re		Social capital
		1	2	3	4	5	inequality and
Control variables							capital
Male		0.010	0.007	-0.001	0.007	0.007	structure
		(0.010)	(0.009)	(0.009)	(0.009)	(0.010)	
After-1975 generation		0.007	-0.004	-0.008	-0.007	-0.007	
		(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	
Higher education		-0.023**	-0.006	-0.025**	-0.026***	-0.026***	
Durain and a secondarian		(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	
Business association		(0.004)	0.016	0.001	-0.001	0.002	
CPV		0.020)	0.023)	0.023)	0.005	(0.023)	
er v		(0.022)	(0.022)	(0.022)	(0.022)	(0.033)	
Firm age		-0.008	-0.008	-0.011	-0.010	-0.010	
		(0.016)	(0.016)	(0.016)	(0.016)	(0.016)	
Firm size		0.001	0.001	0.001	0.001	0.001	
		(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	
Tangibility		-0.080^{**}	-0.078 **	-0.081**	-0.084^{**}	-0.083^{**}	
		(0.032)	(0.033)	(0.033)	(0.033)	(0.033)	
Profitability (ROA)		0.005	0.006	0.004	0.004	0.004	
T 1 <i>k k</i>		(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	
Legal status		0.024**	0.026**	0.025**	0.026**	0.026**	
Voor dummioo		(0.012) Voc	(0.011) Voc	(0.012) Voc	(0.012) Voc	(0.012) Voc	
Provinces dummies		Yes	Yes	Yes	Yes	Yes	
1 Tovinces duminies		Tes	Tes	Tes	Tes	Tes	
Independent variables							
Network mobilization	H1b	0.047***	0.043***	0.025***	0.036***	0.035***	
		(0.007)	(0.006)	(0.007)	(0.005)	(0.005)	
Network mobilization #	H3b1	-0.020**					
After-1975 generation	1101.0	(0.009)	0.000***				
Network mobilization #	H3b2		-0.028^{***}				
Network mebilization # Mala	U2b2		(0.009)	0.016			
Network mobilization # Male	11505			(0.010)			
Network mobilization #	H3b4			(0.010)	0.003		
Business association	11001				(0.020)		
Network mobilization # CPV	H3b5				(0.007	
						(0.021)	
Constant		0.072*	0.068*	0.095**	0.089**	0.090**	
		(0.040)	(0.041)	(0.041)	(0.041)	(0.041)	
Observations		513	513	513	513	513	
<i>R</i> -sq		0.31	0.32	0.30	0.30	0.30	
Wald χ^2		167.50	171.10	166.20	163.70	163.30	Table 7.
$Prob > \chi^2$		0.00	0.00	0.00	0.00	0.00	Network mobilization
Note(s) : Robust standard error **** <i>p</i> < 0.01, ** <i>p</i> < 0.05, * <i>p</i> < 0	ors in pai 0.1	entheses. Ran	dom effect mo	odels			and capital structure of new firms

4.2.2 Sources of social capital and social capital inequality embedded in bank ties. The sources of social capital and social capital inequality are presented in Table 8. The ascribed social status of being male and the attained social status of being a member of business associations significantly influence network extensity and network mobilisation. Meanwhile, the ascribed social status of being a member of the post-1975 generation does not produce a significant effect on network extensity, but it does on network mobilisation. In a similar vein, the attained social status of being a member of the CPV does not produce a significant effect on network

extensity, but it does on network mobilisation. Interestingly, the attained social status of higher education level does not directly produce a significant effect on either network extensity or network mobilisation. Thus, hypotheses 2a1/2b1 and 2a4/2b4 are statistically supported, hypotheses 2a2/2b2 and 2a5/2b5 are partially supported and hypotheses 2a3/2b3 are not statistically supported. In sum, entrepreneurs who are male and members of business associations have more contacts with bank officials than female entrepreneurs and entrepreneurs who are not members of business associations. Those who are male, were born after 1975 and are members of business associations and the CPV receive more support from bank officials than those who are female, were born before 1975 and are not members of business of business associations or the CPV.

4.2.3 Social capital inequality as a moderating factor of new firms' capital structures. The moderating effect of social capital inequality on the relationship between social capital and capital structure is presented in Tables 6 and 7. Table 6 shows that the effect of network extensity on capital structure is smaller for entrepreneurs who were born after 1975 and who have higher education levels. By contrast, the effect of network extensity on capital structure is stronger for entrepreneurs who are members of the CPV. There is no statistical evidence of the moderating effect of entrepreneurs' gender and membership in business associations on capital structure. Thus, hypotheses 3a1, 3a2 and 3a5 are statistically supported, while hypotheses 3a3 and 3a4 are not statistically supported. Table 7 shows that the effect of network mobilisation on capital structure is smaller for entrepreneurs who were born after 1975 and who have higher education levels. There is no statistical evidence of network mobilisation on capital structure is smaller for entrepreneurs who were born after 1975 and who have higher education levels. There is no statistical evidence of a moderating effect of entrepreneurs' sex and membership in either business associations or the CPV on capital structure. Thus, Hypotheses 3b1 and 3b2 are statistically supported, while Hypotheses 3b3, 3b4 and 3b5 are not.

In summary, in light of the findings on the sources of social capital and social capital inequality (Table 8), it is feasible to suggest that while being male and a member of business associations significantly and strongly increases entrepreneurs' social capital embedded in bank ties, these sources of social capital inequality do not significantly lead to inequality of access to external financing of new firms. In other words, having social relationships with bank officials, either formal or informal, is enough for entrepreneurs to have better access to external financing, irrespective of their sex or membership in business associations. In contrast, although the social factors of post-1975 generation and a higher educational level have a small effect on social capital inequality, they moderate significantly and negatively the effect of both network extensity and network mobilisation on the capital structures of new firms. Finally, being a member of the CPV significantly and positively moderates the effect of network extensity but not network mobilisation—on the capital structures of new firms. In other words, having social relationships with bank officials, either formal or informal, is already good for entrepreneurs wanting to access external financing, but it is even better if they are also members of the CPV.

4.3 Robustness check

A series of additional analyses were performed to probe the efficiency and consistency of this study's causal findings (Antonakis *et al.*, 2010), but for the reason of limited space, the statistical results of these analyses will be available upon request. First, sub-group analysis was conducted based on firm location (i.e. provinces/cities). The ten provinces/cities were grouped into two regions: the north (Hanoi, Ha Tay, Phu Tho, Hai Phong and Nghe An) and the south (Quang Nam, Lam Dong, Khanh Hoa, Ho Chi Minh City and Long An). These two regions existed before 1975 and experienced differing institutional changes, primarily the state of socialism in the North beginning in 1954 and capitalism in the South until 1975. Since 1975, both regions have had the same institutional systems. The results show that the

network extensity and network mobilisation of bank ties consistently have a positive effect on capital structure. However, there are also some differences between the two regions with respect to sources of social capital inequality and its moderating effects.

Second, to resolve the possible issue of endogeneity, two further analyses were performed: regression with robust standard errors and regression with measurement error. The method of robust standard errors allowed us to estimate the corrected standard errors for any heteroscedasticity (Hair *et al.*, 2019). The corrected/robustified standard errors of the variables are all reported in Tables 6–8. In general, the impact of heteroscedasticity and autocorrelation is not a concern in this study. Next, a regression constraining for the existence of errors in variables using the two-step generalised method of moments and minimum distance estimators for panel data developed by Erickson *et al.* (2017) was used to deal with this type of endogeneity. The results of this estimation show that even with the measurement error of independent and control variables, network extensity and network mobilisation still significantly and positively influence the capital structures of new firms. The Sargan-Hansen J-statistic test provides a *p*-value of less than 0.05, meaning that the new model with measurement error does not fit the data well, and we therefore cannot reject the default models (Antonakis *et al.*, 2010). Thus, endogeneity from measurement error is not a concern in this study.

Finally, to better assess the validity of our complex causal models, the generalised structural equation modeling (GSEM) method was applied to re-estimate all models which include both continuous and binary variables. In general, the results provide similar patterns to random effect models. More precisely, gender and membership in a business association are consistently major sources of social capital inequality. Network extensity and network mobilisation positively and significantly influence the debt use of new firms. Finally, generation and education negatively and significantly moderate the effect of social capital on debt use, while gender and CPV membership positively and significantly moderate this effect. Our causal findings are therefore consistent and significant.

5. Discussion

The results of this study are in line with previous empirical studies in both developing (Gao *et al.*, 2017; Guo *et al.*, 2014; Malesky and Taussig, 2009; Peng and Luo, 2000; Zhou *et al.*, 2019) and developed economies (Jonsson and Lindbergh, 2013; Seghers *et al.*, 2012) about the role of social capital for access to bank loans. These finding are also in line with the work of Pham and Talavera (2018), who generally found no evidence of gender difference in getting bank loans between male and female entrepreneurs in Vietnam.

On the other hand, although the effect of social capital and social capital inequality on entrepreneurs' behaviour and outcomes has been suggested for a long time (Lin, 2000, 2001; Lin and Erickson, 2012), previous works on capital structure treat entrepreneurs in developing countries as a homogeneous group in terms of ability, motivation and strategy to develop social networks and to exploit their social relations. In addition, only access has been investigated, not other stages of the capitalisation process, and a generic measurement rather than different criteria of social capital has often been adopted. Furthermore, the financial sectors of developing countries consist mainly of the banking sectors; however, the social capital embedded in bank ties has been neglected by research (Gao *et al.*, 2017; Guo *et al.*, 2014; Malesky and Taussig, 2009; Peng and Luo, 2000; Zhou *et al.*, 2019). This study fills these gaps and extends the existing knowledge by delivering three major contributions.

First, this study contributes to unbundling the effect of different stages of the capitalisation process of a single resource (social capital embedded in bank ties) on the capital structure of new firms in a developing country. This approach differs from and complements the combined "use" approach that focuses on the interplay between different

capital resource types of human, social and financial capital (Klyver and Schenkel, 2013). The current work dismantled the capitalisation process into different stages—that is, investment, access, use and return (Klyver and Schenkel, 2013; Lin, 2001). It then hypothesised that both access to (i.e. network extensity) and the use of (i.e. network mobilisation) bank ties, regardless of their nature (i.e. relationship-lending based on arm's-length/market-based relationships or connection-lending based on embedded ties/social bonds) should have a positive effect on the instrumental action of new firms gaining external finance. The empirical results with new firms in Vietnam confirm this hypothesis. This study helps to understand more why banks are quite often the main source of funding for entrepreneurs in developing countries. These are certainly their main source of external funding. This is also the case for more "traditional" small and medium enterprises in developed countries (Jonsson and Lindbergh, 2013; Malesky and Taussig, 2009).

Second, this study contributes to the contextualisation approach in entrepreneurship (Welter, 2011; Welter and Gartner, 2016; Zahra *et al.*, 2014) by clarifying major sources of social inequality and social capital inequality at the individual level in a developing country, mostly with respect to the topic of the capital structure of new firms. Studies on the origins of the unequal distribution of social capital in people's networks are scarce even in developed countries (Van Tubergen and Volker, 2014). Studies on the determinants of the inequality in social capital in developing countries are even scarcer. The current work theoretically argues that ascribed and attained social status factors such as entrepreneurs' gender, generation, education and membership in business and political institutions could be important sources of social capital and social capital inequality through two mechanisms of capital deficit and return deficit (Lin, 2000, 2001; Lin and Erickson, 2012). The empirical test with new firms in Vietnam shows that the statuses of male, post-1975 generation, membership in business associations and membership in the CPV matter with regard to the distribution of the social capital embedded in bank ties.

Third, this study contributes to understanding how social capital inequality at the individual level can moderate the positive effect of the social capital embedded in bank ties on the capital structures of new firms. The moderating effect of social capital inequality on the relationship between social capital and entrepreneurial behaviours and outcomes was suggested for a long time (Lin, 2001; Lin and Erickson, 2012) but rarely applied at the individual level. The obtained results showed that social capital and its effects can vary significantly not only by organisational (Peng and Luo, 2000) and environmental (Thai Mai Thi *et al.*, 2020) factors but also by entrepreneurs' social statuses. The access to and the use of social capital can differently influence new firms' debt use in Vietnam because of the entrepreneurial differences in social status attached to generation, education and membership in the CPV.

Overall, the findings from this study provide several implications for entrepreneurs, policy makers and bankers. First, in the context of Vietnam, to acquire more social capital embedded in bank ties, entrepreneurs can consider seeking and maintaining membership in business associations and the CPV to get access to resources and to grow their businesses. Second, higher education can help entrepreneurs to accumulate other attained social statuses such as membership in business associations and the CPV. Being a member of the CPV could be an advantage for entrepreneurs because it increases the positive impact of the social capital embedded in bank ties on access to external financing. Third, entrepreneurs of the post-1975 generation and those with higher education levels should be aware that their social capital embedded in bank ties produces a less positive effect on access to external financing as compared with their older and less educated counterparts.

For policy makers, it is important to keep in mind that social networks and social relations, both formal and informal, will be long lasting, but their importance will partially depend on the compensatory structures of formal and informal institutions in different stages of the

transition process (Peng, 2003; Peng *et al.*, 2009). At the macro level, to reduce the potential negative effects of connections lending, and to distribute scarce financial resources to productive firms more efficiently (Malesky and Taussig, 2009), policy makers in Vietnam and other developing economies need to improve the quality of their formal market-supporting institutions (Peng *et al.*, 2009; Tran, 2019), mostly with regard to property rights and contracting institutions (Johnson *et al.*, 2002; Ngo *et al.*, 2016a). At the regional or provincial level, some initiatives for improving the business environment, like the Provincial Competitive Index (PCI) program, can be implemented for specific sectors, such as the financial and banking sectors. By doing that, the public administration in specific locations (i.e. provinces and cities) can better benchmark and improve their financial and banking environments for new firms.

For bankers, both the formal customer–creditor framework (i.e. impersonal relationships) and the informal relationships (i.e. personal connections and social bonds or embedded ties) between bank officials and debtors can be used to reduce information asymmetries, especially in the contexts of developing countries. However, the final lending decision should be carefully verified because loan officers can be influenced by their subjective preferences and social relationships (Agier and Szafarz, 2013; Malesky and Taussig, 2009).

Some lessons appear to be relevant for other developing countries or even to developed countries. Gender, education and membership in business associations are certainly important worldwide, with some degrees of variation linked, for example, to cultural gender differences. The generation question of pre- and post-1975 is, of course, particular to Vietnam but might hold for any country having undergone a major political change, which is more the case in developing countries. The membership of a political party is also certainly specific to Vietnam but could also apply to any country where there is a single major political force holding the reins of power, like China, or where there are some political parties that permanently dominate the political theater.

6. Conclusion

This study strongly supports the role of the social capital and social capital inequality embedded in bank ties in enabling and diversifying new firms' access to external finance (i.e. debt use) in a developing country, namely Vietnam. It contributes to advancing the contextualisation approach in entrepreneurship (Welter, 2011; Welter and Gartner, 2016; Zahra *et al.*, 2014) by examining some key social statuses as contingencies (gender, generation, education and political and business memberships) that can influence the distribution of social capital and moderate the effect of social capital on capital structure of new firms. It also contextualises the institutional environment and the financial sectors of the selected developing country to reveal the role of bank ties in new firms' access to finance (Bonin and Wachtel, 2003). The clarification of the access to (i.e. network extensity) and the use of (i.e. network mobilisation) social capital as different stages of the capitalisation process and their effect on the capital structure of new firms in developing countries is another contribution that complements the combined "use" approach in entrepreneurship (Klyver and Schenkel, 2013).

It is worth noting that formal banking relationships (i.e. impersonal ties) were not separated from informal banking connections (i.e. embedded ties) due to the accessibility of secondary data. For the same reason, it is not possible to distinguish formal from informal or long-term from short-term debts and liabilities. Other stages of the capitalisation process, like social capital investment, are uninvestigated (Lin, 2001). Other sources of entrepreneurial finance that are important for new firms, such as venture capitalists, business angels, trade credit and bootstrapping, are not available in secondary data (Cumming *et al.*, 2019). In addition, this study does not include formal institutions that are strongly related to informal

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constraints from social networks and social capital (Peng *et al.*, 2009). It is also unknown whether the sources of social capital and social capital inequality that were identified here also matter for the structural and cognitive dimensions of social capital (Jonsson and Lindbergh, 2013; Nordstrom Onnolee and Steier, 2015) and in the context of other developing countries that are very heterogeneous. These limitations can be considered by future studies to advance existing knowledge.

Social capital inequality and capital structure

Note

1. For more information about the sampling methodology of this survey, see https://www.wider.unu.edu/database/viet-nam-sme-database.

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