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The Role of Regional Values of Social Capital, Trust, and Social Networks in Entrepreneurship in Greek regions: the Services case.

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This paper examines the role that regional social capital plays in regional entrepreneurship in services. The social capital variable used was constructed by the means of Exploratory Factor Analysis (EFA). The present analysis also separately assesses the effects of regional values of trust and social networks on regional entrepreneurship. The results obtained from the use of fixed effects demonstrate the benefits of regional social capital for regional new firm formation. In addition, regional trust and regional social networks positively affect regional new firm formation. From the other control variables, unemployment and within services knowledge spillovers lead to an increase of new firm formation in Greek regions, while human capital and knowledge spillovers across different sectors appear to restrict entrepreneurial activity. In turn, GDP growth has an insignificant effect on regional new firm formation activity in services. The policy implications discussed herein emphasize the need to strengthen the amount of social capital in regions.