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### EXECUTIVE SUMMARY

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# The impact of local social capital on different types of entrepreneurship

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This paper explores how local social capital influences different types of entrepreneurial activity in the UK. Drawing on Global Entrepreneurship Monitor (GEM) data from 2018–2021 and combining it with a highly granular measure of social capital from the Community Wellbeing Index (CWI), the authors examine eight entrepreneurial categories, including distinctions between necessity- and opportunity-driven entrepreneurship, high- and low-growth aspirations, exporting and non-exporting firms, and innovative versus non-innovative start-ups. The study pays particular attention to the COVID-19 period to understand how crisis conditions may have shaped these relationships.

Social capital is defined here as the strength of local trust, cooperation, and community engagement—elements that may particularly benefit entrepreneurs who are more embedded in and reliant upon their local environment. The authors argue that while social capital can facilitate all forms of entrepreneurship, its effect is especially pronounced for less ambitious ventures—those with limited resources, local market focus, or lower innovation orientation—because they depend more heavily on local networks and norms.

Empirical results support this view. The analysis finds that necessity-driven start-ups, low-growth aspiration businesses, non-exporting firms, and non-innovative ventures are more likely to emerge in areas with stronger local social capital. Notably, these effects become even more prominent during the COVID-19 crisis, when entrepreneurs faced heightened uncertainty and limited access to institutional support. In contrast, ventures with higher growth ambitions, export activity, or innovative aims appear to be less influenced by local social capital, likely because they operate beyond local boundaries and rely more on broader networks and formal institutions.

The study has important implications for both policy and theory. It highlights the critical role that social capital plays in enabling inclusive and resilient forms of entrepreneurship, particularly in times of economic stress. For policymakers, it suggests that fostering local social capital—through investment in social infrastructure, trust-building initiatives, and place-based engagement—can support entrepreneurial activity, especially among groups with fewer resources or ambitions closely tied to local markets. The paper also contributes conceptually by disaggregating the effects of social capital across entrepreneurial types, encouraging a more differentiated understanding of how place-based assets shape enterprise formation.

In sum, this research underscores that local social capital matters—not uniformly, but in ways that reflect the varying goals and constraints of entrepreneurs. As such, strengthening social capital should be a key component of regional strategies aimed at fostering diverse and sustainable entrepreneurial ecosystems.