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# The Conceptualization of Entrepreneurial Capital Construct from Entrepreneurship and Institutional Theories

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## *Abstract*

*The role of institutions in promoting or inhibiting business is at the core of the entrepreneurship debate. This review paper focuses on the significance of formal and informal institutions in the much broader construct of entrepreneurial capital development. For this purpose, the paper first reviews and illustrates different definitional perspectives of entrepreneurship theories and how institution theory is relevant to entrepreneurship, before elaborating on the main focus of the paper, i.e., entrepreneurial capital.*

***Keywords:*** *Entrepreneurial Capital, Formal Institutions, Informal Institution, Isomorphism*.

## Introduction

This study is an effort to conceptualize construct of entrepreneurial capital through the lens of prevalent entrepreneurship theories. The study of many pertinent papers on this topic has helped in understanding the importance contextualized nature of entrepreneurial process. Hence, this review work elaborates on entrepreneurship theories and definitional development; what entrepreneurs do; and the trait theories associated with them as an individual. Understanding entrepreneurship from an academic definitional perspective was considered necessary as it explains the basic concept from different standpoints and provides an opportunity to track the conceptual development in the field over a period of time. It also aids in locating the concept within institutional theory. The institutional factors through illustrating institutional theory and its dimensions, i.e., regulative, cognitive, and normative, and discussing how they are relevant to entrepreneurs' development. Institutional factors influence situational factors recognized as "pull" and "push" factors that may incline an individual to startup. This discussion finally leads to the construct of entrepreneurial capital and attempts to explain how formal and informal institutions in a given environment contribute to EC development.

## Literature Review

### The Evolution of Entrepreneurship Definitions and Theories

Entrepreneurship aims to provide a framework for social values and economic development. The implications are evolutionary and long-lasting, rather than revolutionary or precise (Schumpeter, 1934, Davidsson and Wiklund, 2011). The significance of entrepreneurship may be construed in a multitude of ways, but there has yet to be agreement on an absolute meaning (Baum et al., 2007). As stated in the concept's initial description, it was viewed as a system for producing new goods and building sustainable approaches through technological developments (Schumpeter, 1934). Recent methods, on the other hand, define entrepreneurship as the exploration, evaluation, and execution of possible options; the creation of new businesses and systems, and so on (Shane, 2003). It is further defined as a process for identifying and generating prospects through capital restructuring and the launch of value-creation projects. In addition to these particular criteria, a broader idea of an entrepreneur was created, in which anyone who has founded and owns a firm is considered an entrepreneur (Katz and Green 2007). As a result, an individual is considered an entrepreneur if he has founded and successfully runs his own business. According to Kenton (2018), an entrepreneur is a person who does not work as an employee but instead develops and maintains a small business, taking on all of the venture's risks and rewards. According to Barker and Nelson (2005), an entrepreneur is someone who gathers resources such as labor, materials, and other forms of assets for value-added reasons while also suggesting helpful improvements and new ideas. Hence, entrepreneurship is a dynamic process that includes a variety of viewpoints on growth.

Over time, the notions and conceptions of entrepreneurship have evolved. It exemplifies a wide range of essential beliefs and concepts. This description is necessary for the current study's building argument to grasp who the entrepreneur is and what distinct aspects are engaged in the development process. Several studies have previously revealed that the theoretical underpinnings of entrepreneurship have been explored in various domains such as psychology, economics, and management (Ahmed and McQuaid, 2005; Avanzini, 2011).

Table No 1 : Exhibiting Underpinning Entrepreneurial Definitional Perspectives.

| Perspective | Definition | Relevance to Current Study |
|---|---|---|
| Occupational | A person who owns a company, (Naudé, 2008, 2011). | Entrepreneurs in Peshawar are self-employed, mostly in salary substitute firms. |
| Behavioral | The risk arbitrator who makes the commodity needed to be sold to the consumer (Davis, 2006). | It relate Peshawari entrepreneur's strategies to identify, analyze and maximize opportunities; |
| Outcome | Entrepreneurs are "inventive and creative people who are brilliant in discovering ways to boost their own capital, strength, and reputation. (Baumol et al., 2007). | To what extent entrepreneurial activities of entrepreneurs in Peshawar have Effective, Ineffective, and disruptive outcomes? |
| Personal Characteristics | The personal characteristics implies that individual characteristics explains the discrepancies between individual's professional outcomes. (Littunen, 2000). | Entrepreneurs in Peshawar along with other influences trait model is applies to them as to some extent local entrepreneurs had distinguish personal aspects. |
| Circumstantial factors | Those factors that pushes or pull individuals to become entrepreneurs (Rwigema, and Venter, 2005). | Includes pull and push motivation of entrepreneurs in Peshawar to the entrepreneurship process from their traditional work pool. |

The perspectives shown in the above table are discussed in the following subsections.

For clarity, the definitions of entrepreneurship are developed in five ways: (1) occupational, (2) behavioral, (3) outcome views (Naudé, 2011), (4) personal qualities, (5) and situations or factors that motivate entrepreneurship. These five major issues will enable the researchers to provide essential building blocks for the present study, which aims to establish the critical function of institutions in developing entrepreneurial capital in the form of companies. The table below depicts definitional viewpoints and their relevance to the current investigation.

**Occupational Perspective**

Entrepreneurs are defined as business owners and/or freelancers in the occupational sense (Naudé, 2008, 2011). The concept of employment presumes that a person might be employed in terms of earnings, as a freelancer, or be jobless (Naudé, 2008, 2011). Furthermore, GEM posits a difference between entrepreneurship based on an individual's objectives and entrepreneurship based on conditions. The GEM assessment covers self-employed businesspeople motivated by necessity, which is common in developing nations due to a lack of labor market choices. Opportunities-driven businesses, on the other hand, rely on preferred exploitations (see GEM for more information in Section 47.1), (Singer et al. 2015). While business principles are extensively employed in economic development (Naudé 2008, 2011), studies are futile to identify prospective entrepreneurs or elucidate the discrepancy between self-employment decisions in developing and underdeveloped countries (Levie and Autio, 2011). According to 2001 survey data, affluent countries such as Sweden (10.0 percent), Germany (9.9 percent), and the United Kingdom (9.5 percent) had the greatest percentages of self-employment, while developing countries such as Colombia (44 percent), Pakistan (43 percent), and Zambia had the lowest rates (40.6 percent). Acs et al. (2018b) argued in their own-employment analysis that total entrepreneurial activity (TEA) in the global sense is negatively associated to economic growth, advancement, and productivity. In other words, if a country's TEA ratio was higher, its economy would suffer. As a result, Uganda is more entrepreneurial than America, owing to the former's greater TEA ratio (Acs et al., 2018b). Thus, variations in self-employment and economic development among entrepreneurs are the result of a lack of regard for individuals in recent decades (Acs et. al., 2014a, b). The TEA does not recognize "efficient" entrepreneurship as a component of economic growth, but instead considers simply the degree of entrepreneurship. However, in Peshawar, the study's emphasis, the entrepreneurs are self-employed, and their desire to establish a firm is mostly motivated by necessity. As a result, enterprises must adhere to conventional and informal business practices while contributing too little to the economy.

**Behavioural Perspective**

Since the pioneering work of Richard Cantillon (1680–34), highlighted by Ahmed and McQuaid in 2005 and Davis in 2006, entrepreneurial behavior theory has developed. They defined it as a risk arbitrator who creates the commodity required for consumer sale (Ahmed, McQuaid 2005; Davis 2006). Entrepreneurs, according to Schumpeter (1934), are industrial facilitators and economic agents of "creative destruction." He concluded that contemporary industrial processes, creating, inventive consumer goods, finding new markets, and building new business models comprise the activities of entrepreneurs. This style of thinking, which is commonly associated with entrepreneurship, would explain why many individuals do not discover and pick entrepreneurial chances, and why they have distinguishing characteristics, such as personal or cognitive attributes. While there is already a wide range of perspectives, it appears that in the previous 10 years, entrepreneurship symbolizes opportunities; ways to discover, analyses, and optimize chances; and a group of individuals who locate, assess, and capitalize on opportunities. The significance of this categorization is that it encompasses all of the essential characteristics of entrepreneurial activities. It also makes it possible to distinguish between an older definition of self-employment and the process approach. Those who are most capable of becoming entrepreneurs, however, are not always successful. This explains why people's judgments about the pursuit and utilization of chances are heavily influenced by the nature

and institutional environment of the location (Kirzner, 1997; Levie and Autio, 2011). Acs et al. (2014a, p.479) defined enterprising as "the complex interaction of entrepreneurship, skills, and individual interests, which contribute considerably to resource allocation through the development and administration of startups" (Acs et al., 2014a, b).

**Outcome Perspective**

Contemporary economic studies have shown how entrepreneurship may contribute to society. Such effectiveness is predicated on an understanding that not everything is necessary for economic success. Indeed, Baumol (1990) asserted that all cultures engage in entrepreneurial activity. As a result, diverse entrepreneurial outcomes, such as effective, ineffective (for example, rental search), or disruptive activities, might occur in a particular location (for example, illegal business). It was also maintained that economic importance is limited to productive business models. Successful entrepreneurs, according to Baumol (1990), are "inventive and creative people who are clever in developing methods to improve their own capital, strength, and reputation." A creative entrepreneur is one who either substantially contributes to or develops new products and services, or who helps design and apply innovative techniques for creating or implementing existing products and services at competitive costs (Baumol et al., 2007, p. 3). Congruous with the previous standpoint, several researchers have demonstrated forms of enterprises that lead to industrial development and economic growth. For instance, Wong et al. (2005) considered GEM data from 37 countries and found economic growth only to be related favorably to highly successful enterprises.

**Entrepreneur's Trait Theory**

Individual qualities, according to the characteristic model, explain disparities in individuals' professional results. The trait model is utilized as a predictor of personal characteristics that impact human behavior in many circumstances in a reasonably consistent manner (Bird, 2014). The trait model is anticipated to have characteristics that set it apart from others. The qualities of effective entrepreneurs were assessed in order to develop a conventional personality profile that describes the major features of an effective entrepreneur (Littunen, 2000). According to Maes (2014), entrepreneurship research is reliant on individual entrepreneurial personality qualities to separate entrepreneurs from non-entrepreneurs. For example, business commitment, wisdom, zealous dedication, and consumerism. According to Nieman et al. (2002), entrepreneurial characteristics are inherited through birth, experience, or during an entrepreneurial transition period. The following table exhibits some of the most relevant characteristics that assist entrepreneurial inclination along with the other influences.

Table No 2 : Entrepreneurial Trait theories, Source, literature review.

| Trait | Trait Theory |
|---|---|
| **Risk Bearing** | Risk-taking attitude has a direct impact on entrepreneurial intention as well as desire and motivation to start a new company endeavor. (Sepulveda, 2014). |
| **Achievement Motive** | Florin et al. (2007) found that incentive for success was the strongest aspect of the entrepreneurial intent of student populations. |
| **Internal locus of Control** | This theory claims that a person learns to determine on the basis of the possibilities; locus of control is defined as perceptions that an individual have to be able to control or not his own fate (Luthje and Franke, 2003). |
| **Creativity and Innovation** | Imagination and innovation remains essential to offering guidance across the context of transition and increasing environmental uncertainty (Kropp et al., 2008). |
| **Self-Confidence** | Entrepreneurs are supposed to remain optimistic of coping with all business operations in the near future and must still retain a considerable degree of optimism. Rwigema, Urban and Venter (2008) |
| **Access to Markets** | Growth-oriented entrepreneurs rely more on prospects rather financial capital; |

| | |
|---|---|
| | the organizational structure and the best business approach (Kuratlo and Hodgetts 2007). |
| **Commitment and Determination** | Entrepreneurs should be dedicated and motivated to overcome all types of setbacks that entrepreneurship provides and those others regard as important. (Rwigema, Urban and Venter 2008). |
| **Alertness to business Opportunity** | The capacity of individuals to recognize opportunities within the community at an early stage, along with the ability to measure and exploit opportunities, is important to impact entrepreneurship (Rwigema, Urban and Venter 2008). |
| **Problem solving skills** | Venter et al. (2010) point out that entrepreneurial processes need very decisive action to solve challenges, and it is unlikely for entrepreneurs to be threatened in the face of challenging problems. |

As the table above demonstrates, the risks of success are quite fluctuating. The new venture firm is referred to as a "riskier enterprise." Risk tolerance is a personality attribute that assesses a person's readiness to act or make unexpected decisions based on an anticipated gain. According to a study of the research, risk-averse employers are unlikely to pick entrepreneurship (Sepulveda, 2014). When a firm encounters an unclear scenario, the creative technique makes quick judgments. The capacity of a person to accept some type of suitable answer enhances inventive ideas as well as the bravery to make errors and create a new sense of perspective without fear of hurdles and revenge. This mindset necessitates entrepreneurs to always be on the lookout for new chances. According to Rwigema and Venter (2008), the ability of individuals to detect opportunities, as well as their ability to measure and refine opportunities, is critical for entrepreneurship. Entrepreneurship is important for discovering and capitalizing on possibilities (Kirzner, 1997). However, it is not only risk-taking that encourages a person to become an entrepreneur; the desire for accomplishment drives people to strive harder or to do better and faster than others, and it corresponds to a desire to choose and continue in behaviors where there is only a slim chance of success rather than ones promising maximum personal fulfilment (McClelland, 1961). In 1938, Henry Murray proposed the "need for accomplishment" (nArch) idea. Which has been found to have a good relationship with entrepreneurial tendencies, as it promotes entrepreneurial intention, encouraging someone to establish their own business and inspires optimism for wealth.

Another idea of internal locus of control is relevant to the demand for accomplishment, as illustrated in the preceding table. The assumption that an individual has influence over his or her own fate is referred to as the "locus of control." These people are more likely to be creative and imaginative. Entrepreneurs are held accountable and hopeful as they are overseen from the inside to achieve high levels of success. A person with an internal locus of control believes he can affect outcomes through his own activities (Kobia, 2010). Rotter claimed that social learning theory is based on the idea of locus of control. This suggests that a person learns to make decisions depending on the options available to them. Because the market landscape is never static, the subject of creativity and innovation remains critical in providing direction in the face of change and rising environmental instability (Kropp et al., 2008). As a result, growth-oriented entrepreneurs prioritize potential over money, company structure, or the most business-applicable technique. Therefore, the ultimate trigger of entrepreneurial activity is the pursuit of profitable business possibilities in order to achieve a goal. Furthermore, Venter et al. (2010) point out that in order to tackle obstacles, organizational processes require decisive action, and that individual entrepreneurs are unlikely to feel scared in the face of difficult situations.

Problem solving and remaining composed in the face of adversity need dedication and persistence. It was stated that entrepreneurs are not only not primarily success driven, but may also be classified as failures. Entrepreneurs frequently fail several times before succeeding (Lambing and Kuehl, 2007). Furthermore, entrepreneurs must be self-assured. They are expected to be positive about handling all business activities in the near future and must maintain a high level of confidence. According to Rwigema and Venter (2008),

an entrepreneur should be rewarded for his or her outward confidence in the face of serious hazards over the course of entrepreneurial activities.

The preceding discourse demonstrates that the notion of entrepreneurship is still in its early stages. It has an economic impact and may be both fruitful and detrimental. The commencement of the entrepreneurial process, on the other hand, is due to economic constraints. However, economic considerations are not the only ones impacting the process. Phycologists investigated personal qualities deemed to be significant in driving entrepreneurial action. As a result, rather than being the primary cause of entrepreneurship, it is frequently the result of a combination of variables. The next section goes over some of the environmental aspects that contribute to the entrepreneurial process.

**Entrepreneur's Push and Pull Factors**

The factors that move individuals away from regular employment and towards the entrepreneurial process are known as "pull" and "push" (Rwigema and Venter 2005). According to Nieman et al. (2006), the pull factors are the opportunities that drive people who are already employed to leave their jobs and become entrepreneurs. Push factors, on the other hand, are those motivational elements that drive entrepreneurship because traditional occupations are less desired or a person has no other professional options. The diagram below depicts the push and pull factors for entrepreneurs.

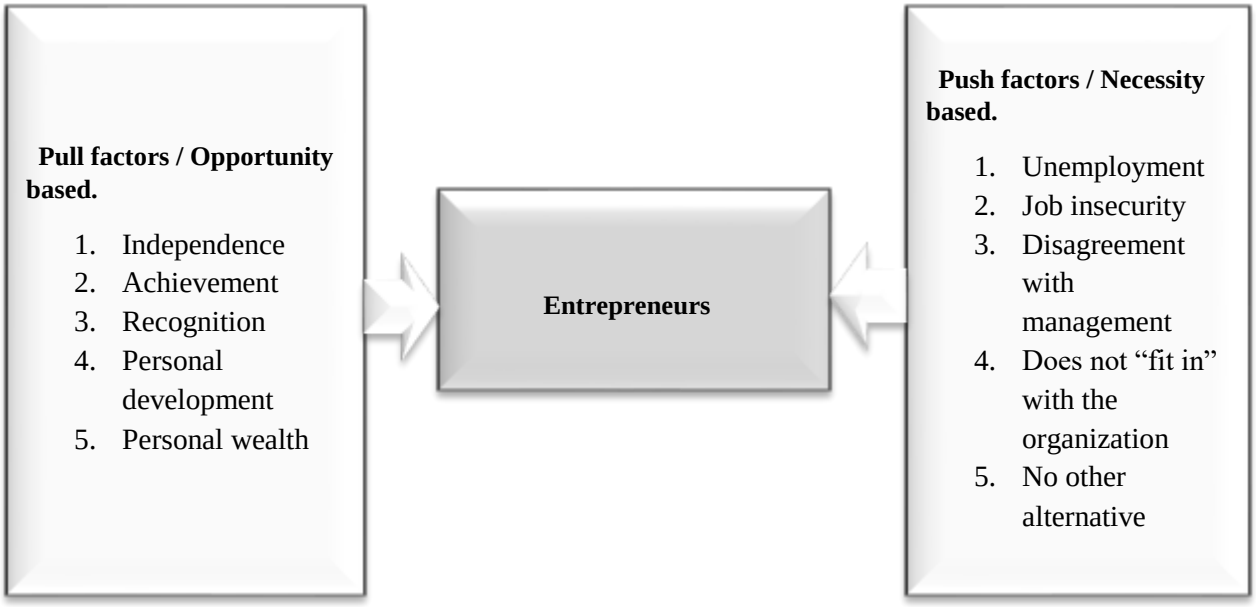


Figure No 1 : Source, Nieman (2006), Pull and Push Factors for Entrepreneurs.

Insightful appraisal of these factors can lead to sound decision-making. The image above depicts the driving forces: income and wage discontent, job insecurity, career constraints, inability to innovate, management disputes, and a lack of other options. The primary inspirations were liberty, personal growth, and the drive for accomplishment, as well as the freedom to invent, personal affluence, and appreciation. Most academics have relied on the typical system of "push" and "pull" market segmentation, or necessity-based entrepreneurs (Amit, 1995). Several researchers have focused on the existence and impact of "push" and "pull" situation factors in motivating individuals to engage in entrepreneurial practices, and have identified factors such as a contractor's dissatisfaction with current lifestyles, children's influences, family

environment, age, education, and social network (Thomas & Mueller, 2000). Entrepreneurs can be practically forced into entrepreneurship by abrupt, unanticipated crises such as job loss, dissatisfaction with current work, and other career reversals (Gutterman, 2015), or by factors perceived more beneficial in many communities, such as preparedness and progress. Entrepreneurs may be pushed into starting a new business (Krueger, 1993). The following are some more elements that influence people to become entrepreneurs.

**Conviction**

Conviction is the bedrock of creativity. This concept is applicable to a psychological mechanism that is not dissimilar to the method by which consumers choose a new business (Rogers, 1983). A strong opinion, attitude, thought, vision, or role that leads a person to choose entrepreneurial activities as a career choice is referred to as a "conviction." The Cambridge dictionary defines conviction as "a strong opinion, judgement, concept, attitude, posture, or persuasion that allows an individual to regard entrepreneurship as a inclination." A person's conviction has a tremendous influence on entrepreneurship. The greater the sense of conviction, the stronger the startup ambitions, and hence the individual will most likely pursue entrepreneurship as a second career (Skosana, 2012). According to Autio et al. (1997), confidence is a key indication of entrepreneurship, and there is a significant relationship between an individual's attitude and entrepreneurship. Conviction is influenced by personal historical circumstances such as age, gender, education, and later experience with drastic change.

**Social Context**

According to researchers, one of the most important conditions concerned is the real employment status and improvements to it (Skosana, 2012). Some academics believe that situational considerations are critical to both entrepreneurship and decision-making (Krithika & Venkatachalam, 2014). The situational circumstances that have the most obvious beneficial influence on behavior were evaluated.

**General Attitudes**

Furthermore, attitudes have been defined by researchers as a personal trait that predicts the gap between entrepreneurial ambitions. Such an approach to entrepreneurship has been identified as the most important factor of self-employment, and it is motivated by mindset (Kolvereid, 1997; Luthje and Franke, 2003). General beliefs determine conviction and, as a result, the decision to become a businessman. A mentality, according to Kolvereid (1997), indicates a difference in entrepreneurial purpose.

The preceding section elaborates on general, personal, and societal characteristics that lead to entrepreneurship. As a result, for contemporary research objectives, it is critical to address the dynamic and contextual view of entrepreneurship (ship), which may be offered by a socio-cultural explanation of entrepreneurship. The notion of entrepreneurial capital is introduced in the next section, which asserts that an individual's ability for entrepreneurial activity is ingrained in the social context.

**Institutions and Entrepreneurship**

Institutional theory was established as a critical theoretical basis for studying entrepreneurial literature (Urbano & Alvarez, 2014; Aparicio, Urbano, & Audretsch, 2016). Institutional factors impact entrepreneurship in many nations by identifying, limiting, and creating business prospects (Manolova, Eunn, and Gyoshev, 2008; Simón-Moya, Revuelto-Taboada, and Guerrero, 2014; Aldrich & Fiol, 1994; Urbano & lvarez, 2014). Few entrepreneurs' scholars, however, have investigated the conceptual interaction between institutional dimensions and entrepreneurial development in both developed and developing countries (Bruton, Ahlstrom, & Li, 2010), as well as how different cultural dimensions can interact with entrepreneurial capital development. The institutional viewpoint outlines a society's regulations that govern

its economic conduct (North, 1990; Baumol, 1990). Different institutions will impact and contribute to the various degrees of entrepreneurship across countries (Simón-Moya, Revuelto Tabuada, & Guerrero, 2014). North (1992) classified institutions into two major categories: formal and informal institutions. Laws, both state and common law, govern formal institutions, whereas informal institutions contain conventions, codes of behavior, and self-imposed standards of conduct (North, 1992, p. 4).

According to North (1990), formal institutions are intended to reduce administrative effect, whereas informal entities are intended to reduce skepticism of strategic decisions among all community members (North, 2006). Formal and informal institutions work together, and certain regulations may suffice based on established cultural norms, social awareness, value frameworks, and social expectations (Aparicio, Urbano, & Audretsch, 2016). As a result, informal institutions associate formal institutions with their qualities, and vice versa. Institutional structures (regulations, domestic laws, state law, and common law) can change quickly, whereas informal institutions (cultural traditions, mutual cultural sensitivity, value systems, and social practices) evolve more slowly (Williamson, 2000).

**Institutional Dimensions**

From the perspective of the institution (Scott, 1995; Urbano & Alvarez, 2014), Scott (1995) divides formal and informal structures into perceptual, administrative, and social normative components. Busenitz, Gomez, and Spencer (2000) proposed an appropriate measuring technique for assessing an institutional nation profile for business research (regulative, cognitive, and normative dimensions). They suggest that a country's cultural ideas may have an impact on its business practices. It was also recommended that comprehending institutional dimensions is beneficial in assessing the relationship between institutional qualities and the frequency of company activities across countries (Busenitz, Gomez, and Spencer, 2000; Valdez and Richardson, 2013). Spencer and Gomez (2004) used an institutional nation profile questionnaire designed by Busenitz, Gomez, and Spencer to assess the country's institutional profile and market level (2000). Their findings proved the importance of institutional features and economic considerations (per capita GDP) in determining regional entrepreneurship (Spencer & Gomez, 2004). It was discovered that the cognitive institutional dimension has a positive relationship with the presence of a small enterprise, the normative dimension has a positive relationship with self-employment, and the regulatory institutional dimension has a positive relationship with new preliminary inventory offers (Spencer & Gomez, 2004). In addition, Urbano and Alavariz (2014) investigated the impact of the same institutional aspects on entrepreneurial propensity using 2008 data from the International Institute for Management and Development (IMD) and the Global Entrepreneurship Monitor (GEM). They also discovered that a supportive economic market environment (fewer enterprise start-up processes), a favorable normative business ecosystem (more media coverage for entrepreneurship), and a favorable cognitive business environment (knowing business people, less company fault anxiety, and knowledge of/skipper of a new business) were all positively related to the entrepreneurial productive society (Urbano & Alvarez, 2014). Aparicio, Urbano, and Audretsch (2016) recently published research on the impact of structural factors on entrepreneurship and opportunity. Their findings also indicated that, when compared to formal institutions, the cognitive and regulative characteristics of informal institutions have a significant impact on shaping entrepreneurial activity (regulatory institutional component) (Aparicio, Urbano, & Audretsch, 2016).

Because entrepreneurship is a dynamic activity that involves a variety of views and elements (Pinillos & Reyes, 2011). Many countries have varying levels of entrepreneurship. Entrepreneurship academics, on the other hand, tend to conclude that significant variances in entrepreneurship appear to be stable across time and between countries (Dantas, Moreira, & Valente, 2015). Entrepreneurial concentrations in the United States, for example, are more than twice as high as in Japan and Germany (Bosma, Levie, 2010). How entrepreneurship rates differ among nations owing to differences in national cultures, institutions, economic development levels, social situations, and other aspects investigated by entrepreneurs (Ahlstrom and Obloj, 2008; Valdez & Richardson, 2013). In earlier entrepreneurship studies, however, most scientists sought to explain the variation in entrepreneurial activity rates among nations by the level of economic development

in each country (Sternberg & Wennekers, 2005). Using GEM data, such studies have offered empirical evidence for a U-shaped relationship between the rate of entrepreneurial activity and the degree of economic growth (Van Stel, Thurik, & Wennekers, 2007; Bosma & Levie, 2010). The next section will explain why various entrepreneurial activities and business trends are prevalent in particular locations.

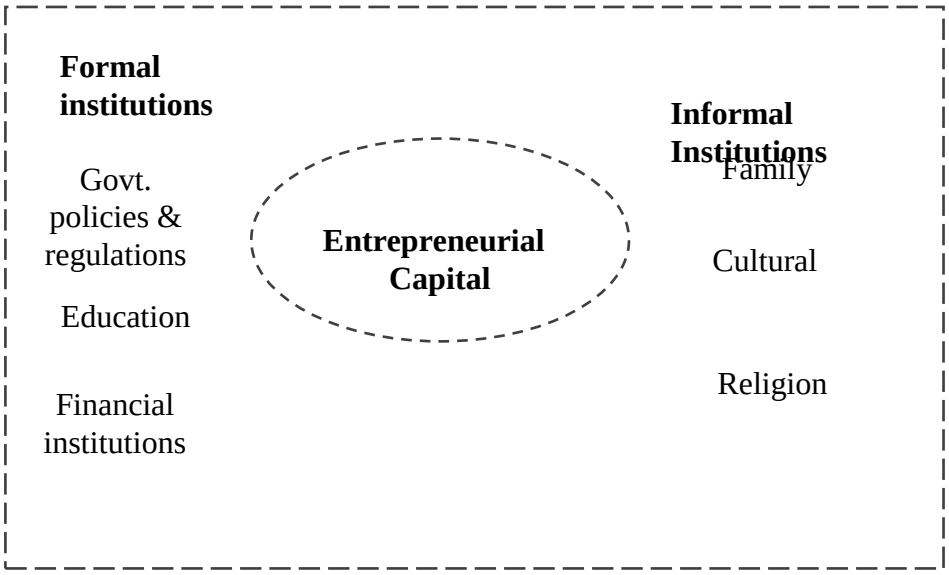


Figure 2 Source, Author, based on extensive literature review the interaction influence on individuals developing entrepreneurial capital.

**Isomorphism**

Institutional logics have remarkable prevailing power due to a phenomenon known as isomorphism, despite their socially generated origins (DiMaggio & Powell, 1983). Isomorphism refers to the copying of old organizations' institutional logics by new organizations, such that the whole organizational field is determined by those institutional logics in some way. An entrepreneur's innovative business concept includes not only the solution to a problem – i.e., the product or service – but also the process by which this solution can be delivered to the market: "New venture ideas are fictitious blends of product and service offerings, potential markets or customers, and ways of creating such offerings" (Davidsson, 2015, p. 684). As a result, while the concept lacks precise data on operations, notions about this company, such as the operational form, client base, and fundamental organizational goals, the most important features of any market-driven firm would be implemented indirectly or explicitly. When considering the features of the new firm, a possible contractor is likely to notice the forces of institutional isomorphism, which guarantee that risk concepts meet the criteria (DiMaggio & Powell, 1983; Powell & Colyvas, 2008). When an entrepreneur launches a new firm, he uses two forms of isomorphism: mimetic and coercive isomorphism (DiMaggio & Powell, 1983; Sud et al., 2009).

**Mimetic Isomorphism**

In the face of uncertainty, mimetic isomorphism entails imitating the actions of well-known and wealthy companies (DiMaggio & Powell, 1983). In a particular circumstance, use logical norms to simulate isomorphism functions while evaluating the usual plan of action-"What will others do in that situation?" (Cialdini & Trost, 1998). Mimetic activity, in fact, is a basic precondition for the formation and maintenance of organizations (Berger & Luckmann, 2011). Mimetic isomorphism may be the most successful isomorphic process in the early phases of venture concept creation. Although an entrepreneur

must have prior knowledge of how to service markets in order to design a viable venture concept, this understanding is the foundation of mimetic isomorphism, even if the entrepreneur is unaware of the isomorphic dynamics embedded in the information (Scott, 1994; Shane, 2000). As a result, potential entrepreneurs build a new venture concept based on classic market tactics based on the main logic of benefit maximization, as these techniques are the most crucial and efficient for establishing a new venture. Because best practices are not yet accessible, entrepreneurs pursue these techniques as well (DiMaggio & Powell, 1983).

**Coercive Isomorphism**

Coercive isomorphism exists as a result of punishment and reward. It usually happens when a company has access to crucial resources and credibility. It is exchanged for adhering to dominant institutional logics and denied for refusing to do so. The regulatory framework, financial institutions, and social status variables exert coercive pressure on entrepreneurs (Aldrich, 2005; Davidsson, Hunter, & Klofsten, 2006). Coercive isomorphism operates by threatening to restrict access to services deemed critical to an enterprise's survival (DiMaggio & Powell, 1983). Financing, for example, is a critical resource for every market-based organization. Foreign funding opportunities in developing development enterprises are generally limited to profit-making investors such as banks and risk capitalists (Townsend & Hart, 2008). When investors demand a firm to change its business model in order to be funded, the oppressive isomorphic pressure becomes clear (Landström & Winborg, 1995).

Davidsson et al. (2006) demonstrated that entrepreneurs' innovative venture conceptions had substantially shifted in a path that made firms lucrative, with profit-oriented investors such as banks or risk capitalists. Because it is obvious that for-profit capitalists will want to make more profit, aspiring developers are likely to anticipate this manipulative isomorphic coercion – albeit perhaps not to the extent that it currently occurs – and to create a more profit-driven venture concept in the expectation of securing financing for the venture idea. According to Townsend and Hart (2008), potential social entrepreneurs are more likely to choose a non-profit corporation structure in order to collect financing from private non-profit donors, who are highly hesitant to join in non-profit social businesses.

This choice of benefit type necessitates additional lucrative logics, implying that the risk concept is very socially reliant. Validity is also used by coercive isomorphism (DiMaggio & Powell, 1991). Legitimacy gives benefits such as social networking and increased loyalty, as well as the trust of potentially significant consumers and investors in a new business's existence. Because an entrepreneur knows the characteristics that distinguish a firm, they will include these characteristics into their entrepreneurial concept. Deviation from the norm by employing institutional logics that differ from the norm also undermines credibility (Pache & Santos, 2013). Aldrich and Fiol (1994, p. 650) provide a challenge to the designers of emergent enterprises that differ from the norm, they should interact with wary consumers, promoters, vendors, and other asset holders who are hesitant to become involved. With no outside backing, how could prospective trusting parties "accept" an entrepreneur's assertions that a partnership "would work out," supposing the entrepreneur is a bumbling fool?

As a result, both mimetic and coercive isomorphic pressures generate new risk ideas in ambitious developers, which may be incompatible with their motives. A potential entrepreneur may unwittingly build a new firm that is less socially acceptable than it is by adhering to standard business models based on the core logic of profit maximization. In accordance with the sports team, Baumol's foundational work (1990) described entrepreneurial growth as a dynamic system resulting from the interplay of formal and informal institutions with entrepreneurship. He defined entrepreneurship as one of three types: productive enterprise, which involves the creation of economic capital through creativity and business opportunities; non-productive enterprise, which involves the rental of government agencies such as preferential monopolistic positions, special tax or regulatory exemptions; and destructive entrepreneurship, which involves the illegal drug trade or prostitution.

Thus, according to North (1990), the utility of institutional structures, such as new laws and regulations, may be dependent on a society's cultural values. An example of this relationship may be seen in the execution of traffic rules in a particular country. While traffic regulations are generally uniform across countries, the efficacy of these formal laws is determined by the extent to which a substantial number of drivers freely obey and accept those rules via continual self-commitment. As a result, if the informal standards are compatible with the formal norms, the cost of enforcing the formal laws would be relatively low, given the rarity of infractions of traffic laws (North, 1990; Boettke and Coyne, 2009).

In other words, successful social values such as dependability, hard work, and dignity will lower transaction costs and allow for favorable outcomes (North, 1990). Krasniqi and Desai (2016) recently investigated the interaction impact of formal institutions (as measured by tax administration, trade and customs rules, tax prices, and company licensing/permits) and informal institutions (as measured by the functioning of the judiciary/courts, anti-competitive practices of rivals, regulatory uncertainties, and corruption) on high-rate. The authors discovered that the consequences of the relationship between formal and informal organizations had a direct impact on entrepreneurial activity. Informal institutions, in particular, are favorably associated to entrepreneurship in developing markets while formal institutions are experiencing slow reform circumstances. This shows that informal institutions change at a faster rate and may stifle the expansion of formal institutions by grazing the wheels. When emerging countries are quickly changing formal institutions, informal institutions have less of an influence on transaction facilitation (Krasniqi and Desai, 2016). Furthermore, when institutions clash over new formal legislation vs existing informal norms, the prevalence of non-compliant conduct grows, potentially leading to the formation of an informal economy (Aidis et al., 2012).

**Entrepreneurial Capital**

The entrepreneurial capital broader construct, which is a sort of social capital that affects a society's propensity to develop entrepreneurs, has enlarged the scope of entrepreneurship (Audretsch and Keilbach, 2005). This includes a variety of aspects, such as societal approbation, promoting entrepreneurial activity, individuals prepared to take the risk of starting new businesses, bankers, and venture capitalists eager to share rewards and risk. It also incorporates policymakers, historical, social, and cultural traditions linked with a certain place, as well as personal qualities (Audretsch, Keilbach, 2005). Later on, a confluence of these variables and pressures prepares the path for entrepreneurial activity (Hofstede, 2002). Audretch and Monsen (2007) expanded on the importance of EC in regional progress through economic uplift by classifying it into four categories. First, it influences and affects a region's or sector's capacity to stimulate innovation at the regional and industrial levels. Second, at the corporate level, they are variables that influence and shape organizations in order to make them more conducive to the establishment of new businesses. Third, the factors at the team level indicate interpersonal elements that benefit team members in the execution of entrepreneurial activity. Finally, on a human level, it displays the elements that enhance an individual's intellect and involvement as a manager or employee, making it more conducive to exploring and creating possibilities. A tendency or aptitude is necessary, whether it be a societal tendency, individual behavior, risk-taking and sharing, or different degrees from regional to individual. Entrepreneurship capital is a native phenomenon (Audretsch and Keilbach, 2005), and it is compatible with cultural characteristics that are highly contextualized. As a result, without taking into account the local context, all national and international efforts to foster entrepreneurial capital may fail or be limited in scope. Because entrepreneurial capital is intrinsically local in character, local and regional policies should be prioritized to the extent that entrepreneurship is vital for growth and employment creation (Audretsch, Keilbach, 2005).

## Conclusion

This review paper provides a comprehensive evaluation of the literature on entrepreneurship from the perspectives of institutional, environmental, situational, and human factors. The review paper begins with defining and developing entrepreneurial theories and concepts from occupational, behavioral, personal, and

other viewpoints. It came to the conclusion that the entrepreneur (person) is at the center of the entrepreneurship phenomena. As a result, it is the human agency that creatively integrates the resources and, in doing so, builds the organization. However, being an entrepreneur is a multi-step process. In its place, it is accomplished through the interaction of institutions in the surrounding region. These institutions are both official and informal, and they have varying degrees of effect on entrepreneurial growth. As a result, the focus of the literature study was shifted to the concept of introducing institutional theory and its implications on entrepreneurial capital creation rather seeing it only from the perspective of entrepreneurs. Furthermore, under the prevalent phenomena of isomorphism, the startups must be allowed structure and shape that fit with regional religion, cultural, and societal norms and values, through mimetic and coercive isomorphism.

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