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Political Turmoil and Informal Entrepreneurship: Uncovering Drivers of Resilience in Developing Countries

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ABSTRACT



Purpose: This paper provides evidence on how external institutional contexts and internal cognitive dimensions are associated with the engagement in informal entrepreneurship in emerging markets.

Method: Methods A quantitative study was used in this study with structured questionnaires and analysis using SPSS to 438 subjects in Indonesia.

Findings: The severity of political contestation level, decomposition of formal economy access, poor institutional governance and community social capital increase informal entrepreneurship. Additionally, a resilience-based entrepreneurial mindset (REM) has a significant moderating and enhancing effect on the relationships.

Novelty: The research adds to the literature on entrepreneurship by offering REM as a new cognitive moderator that serves to neutralise institutional adversity and stimulate entrepreneurial engagement, dovetailing institutional theory and entrepreneurial cognition.

Implications: The study contributes to theory development by highlighting psychological resilience in institutional void environments, while providing practitioners with guidance to facilitate adaptive entrepreneurship in vulnerable domains. More broadly, it offers a portable framework for interpreting the informal entrepreneurial ecosystem in a context of uncertainty and institutional frailty.

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1. Introduction

In recent years, the surge of political turmoil and socio-economic instability has had a serious impact on entrepreneurial conversation, especially in emerging economies. Violent disagreement, political uprising, and breakdown of governance have caused institutional voids in a wide spread, leaving the people with little choice but engage in informal entrepreneurship to make a living (Barnard and Luiz 2018; Nassar and Stel 2019). During times of political

instability the dynamic of market access may be restructured, as formal enterprises step back and informal enterprises step forward to occupy essential economic and social niches (Bandauko and Arku 2025). Both of these and others forms of bottom-up entrepreneurship under such adversity are not just reactive, but reflect the dynamic adaption to disrupted social political systems (Lin, Wong, and Fong 2025). Moreover, a lack of FDI in war-torn zones has been empirically proven to be associated with a rise in informal entrepreneurial activity, in which



actors on the ground mobilize small-scale community solutions to support trade and employment (Grisaffi 2025). This is a particularly important shift in the function and status of informal economies from peripheral to vital economic buffers. In the age of increasingly complex and frequent global crises, it is crucial to understand the contexts in which informal entrepreneurship flourishes for academic enquiry and policy intervention.

Notwithstanding continued scholarly attention to entrepreneurship under instability, research to date frequently fails to consider the interactions among political conflict, structural and institutional factors, and their diverse associations with informal economic activity. Precarious informal employment is critical to economic survival, but how it responds to crises arising from governance failures and a weakening formal economy is little studied (Paredes and Vigiola 2024; Villacé, 2024). Second, if some authors focus on weak institutions as disabling (Henisz et al., 2010), others bring attention to the fact that institutional voids can be seen as an "opportunity" to informal firms, some kind of "room to maneuver" (Àbàti 2025). This poses a question, is there a simultaneous exercise of political conflict intensity, economic exclusion and poor governance on informal entrepreneurship? Because Indonesia and other emerging markets like it remain rife with not just local conflicts but also national level political instability Wicaksana and Yakti (2025), there is a pressing need of empirical studies going beyond its causes to point out resilience-promoting dimensions that enable informal entrepreneurs to survive under pressure.

The study is theoretically based on the external enablement theory (Davidsson, Recker, and von Briel 2018), which maintains that, positive or negative, external events can lead to enabling conditions for entrepreneurship (Schulze, Janssen, and Aschemann-Witzel 2024). Here, political conflict and institutional failure serves as a negative catalyst, providing for opportunism through exposure to turmoil. The theory is consistent with the institutionally-based view that organizations are a product of formal and informal institutions which influence economic agents (North, 1990). It also combines to the RBV and the social capital theory to discuss why entrepreneur use

community relationships based on no formal resources (Barney 2018). Theoretically, the study is grounded on a critical realism perspective, underlining how the observable actions of entrepreneurs are rooted in and explained by deeper structures of enabling conditions and context specific mechanisms. This synthesis provides a solid base upon which to examine resilience-based entrepreneurial mindsets as a moderating factor in the complex relationship between adverse conditions and the growth of informal enterprise (Hughes, Croxton, and Knemeyer 2025).

A few studies have identified this potential dimension of petty entrepreneurship in fragile states, little connect the conflict, economic access and institutional governance elements as discrete from one another as part of an underlying process. Few have integrated these elements into a cohesive theoretical description that addresses the dynamics of entrepreneurship in adversity (Nafari and Ruebottom 2025). Salvi, Hechavarria, (2025), work focused on an informal venture in a war zone, but did not consider the influence of psychological characteristics that could drive the entrepreneurial behavior. Matus (2025), Umoru et al. (2025), recognized institutional voids in developing countries, but they focused predominantly on policy frames and not the lived realities of doing entrepreneurship. Madawala, Palazzo, and Foroudi (2025), showed the effect of crisis environments on entrepreneurial intentions but did not account for how community level resilience mechanisms might influence outcomes. Inspired by these research voids, this study addresses this issue by offering a multidimensional dimensional oven explanatory framework. This model includes Political Conflict Intensity (PCI), Decline in Formal Economic Access (FEA), Weak Institutional Governance (WIG), and Community Social Capital (CSC) to clarify how these precursors shape the IEE. Most importantly, this work provides a new boundary condition the Resilience-Oriented Entrepreneurial Mindset (REM) which represents the proactive psychological ability to translate adversity to entrepreneurial opportunity (D. K. Sahoo et al. 2025). This concept however is severely under-explored in the current conflict entrepreneurship literature. As a result, the present

study makes three contributions: it consolidates the previously disjointed areas of investigation into an integrated framework; it offers empirical illustrations from Indonesia, a country known for its sociopolitical diversity and institutional difficulties; and it advances the external enablement theory with the integration of resilience-based psychological moderator. These theoretical advances not only close existing research voids, but also raise the relevance of our study to wider debates concerning entrepreneurship, the response to crisis and economic resilience in uncertain contexts (Maalouf, Miklian, and Hoelscher 2025).

The objective is to explore the effects of political conflict intensity, formal economic access decline, institutional governance strength and social capital of the community on informal entrepreneurship engagement in emerging economies. It also investigates how resilience-oriented entrepreneurial mindset (REM) moderates the relationship of each of these variables, by strengthening or attenuating its effect. More to the point, the study aims at empirically examining ten hypotheses in order to gain more insight into the multi-faceted processes that facilitate survival-driven informal entrepreneurship. Results will contribute to theoretical implications and practical suggestions on entrepreneurship and institutional theory as well as policy implications for policy makers to provide inclusive support system for disadvantaged entrepreneurs. Societally, such research that can shed light on how marginalized communities can (re)claim empowerment, and participate in local economic revitalization in a post conflict/post political crisis region with strategies that are self-defined and self-reliant.

2. Critical Review

2.1 *The impact of political conflict intensity on informal*

Political Conflict Intensity (PCI) involves marked modifications to the institutional environment and the markets' dynamics; usually it restricts formal economic activities and, in spite of itself, opens an empty space for informal entrepreneurship. In conflict settings, dysfunctional regulation, broken supply chains,

and withdrawal of legitimate companies from hazardous areas result in market gaps that are quickly filled by informal entrepreneurs in search of a way to make a living (Branzei & Abdelnour, 2010, Salvi et al., 2025). The uncertainty and institutional fatigue induced by political violence can reduce barriers to entry into the informal economy, due to a lack of surveillance and monitoring being virtually non-existent, or not operating (Webb et al., 2009). Further, in the absence of active state support, informal entrepreneurship is a practical means of resilience and adaption – especially in developing countries with inadequate formal sector protection (Bullough et al., 2014; Oh and Oetzel, 2017). Such makeshift solutions by entrepreneurs may be less recognized, but are crucial for economic resilience and community survival faced with such threats. These dynamics reveal a paradox of political conflict as external enabling contexts for informal entrepreneurship, when in the respondent's narrative it subverts motivation, values and beliefs on informal economy and when it negatively impacts on households' chances for economic survival. Thus, IEE is expected to be positively affected by the Political Conflict Intensity (PCI).

H1: Political Conflict Intensity (PCI) influences positively the IEE.

2.2 *The Impact of reduced formal economic access on the involvement in informal entrepreneurship*

Formal economic access (FEA) in the form of less job opportunity, limited access to credit and being kept out of regulated markets is a strong driver of the emergence of informal entrepreneurship. In developing countries, where labor market rigidity is high and institutional barriers are widespread, those that are systemically excluded quite often turn to informal economic practices in order to survive

(Williams & Horodnic, 2017). The formal sector is often shut down or scaled back because of economic crises, conflict, or institutional failures, which cause marginalized groups, most notably women, youth, and the displaced, to take up informal self-employment (Meagher, 2013; Chen, 2012). Such informal enterprises therefore serve as portals through which income can be generated when formal opportunities to earn a living are inaccessible or nonexistent. A natural corollary of the above propositions is that informal entrepreneurship flourishes under such constraints because of its agility and low cost of regulatory entry that enables quick responses to unmet local needs (S. Sahoo et al. 2025). Wholly, these structural constraints to the formal economy not only drive operatives into the informal sector but also determine entrepreneur necessity based motivation more than opportunity. Thus, it is assumed that the Reduction of FEA positively influences the IEE (in formal sector), especially in vulnerable or less developed economies.

H2: Negative impact of FEA on IEE The second hypothesis was derived based on the proposition that restriction on access to formal economic system can lead to the diversion of entrepreneurial activities into informal sector.

2.3 *The impact of poor institutional governance on the participation in informal entrepreneurship*

Weak Institutional Governance (WIG)—manifested in a weak rule enforcement, corrupt countries, bureaucratic burdens, and policy instability—is conducive to informal entrepreneurship. In circumstances where institutional formality does not deliver reliable regulation, security of property rights, and equitable access to resources, people are likely to sidestep formality and resort to informality activities where freedom is maximised and compliance costs are minimised (North, 1990;

Aidis et al., 2012). Institutions that lack strength undermine the legitimacy and capacity of the state and its agencies to invest in the legitimacy enabling it to: operate as a formal business, license it and tax it, if the institution is weak both or all will be very difficult to do leaving a micro entrepreneur no option (Godfrey., 2011:14). With the failure of institutions, the informal sector tends to be more of a coping tactic rather than a sustainable solution, typically in the context of transitional economies with weak governance systems (Webb et al., 2009). When levels of institutional trust are low, social norms may erode in favour of informal engagements, legitimising noncompliance with entrepreneurial norms (Williams & Shahid, 2016). Informal entrepreneurship is, therefore, an effect of institutional voids, and the rates of earnings are expected to be low. Hence, it is suggested that Weak Institutional Governance (WIG) positively impacts Informal Entrepreneurship Engagement (IEE).

H3: Weak Institutional Governance (WIG) positively influences Informal Entrepreneurship Engagement (IEE).

2.4 *The impact of community social capital on informal entrepreneurship participation*

Accordingly, Community Social Capital (CSC) comprising the norms of trust, reciprocity, and networks of cooperation existing among the members of a local community persists as a key factor that facilitates informal entrepreneurship in environments characterized by institutional voids and economic unpredictability. Without effective formal mechanisms, people depend on their direct social contacts for access to resources, market information, and informal credit (Putnam, 2000; Woolcock & Narayan, 2000). Such networks help not only to lower transactions cost but also to increase the level of trust that supports informal business operations (Davidsson & Honig, 2003) In the developing

world where formal participation is limited by barriers, networks and strong embedded community bonds act as cushions, which propel individuals to take entrepreneurial risks in the informal sector (Light & Dana, 2013). In addition, shared community values and cultural norms can legitimise informal entrepreneurial activities, presenting it as socially acceptable or even inevitable in the face of adversity (Webb et al., 2009). So instead of being isolated operations, informal businesses tend to arise and operate within highly enrooted social structures that make up for the lack of formal mechanisms of support. Thus, the following hypothesis is proposed: H3: Community Social Capital (CSC) has a positive impact on IEE.

H4: Community Social Capital (CSC) positively influences Informal Entrepreneurship Engagement (IEE).

2.5 The cross-level effect of external enablers on the informal entrepreneurship

These multiple external facilitators –PCI, FEA, WIG, and CSC – combine to influence the environment of informal entrepreneurship in developing countries. Although each of the factors make a unique contribution to the series of events that cause informal entrepreneurship to emerge, the collective impact of these 262 factors provides a more elaborate elucidation of how a hostile environment promotes informal entrepreneurial activities. For example, political turmoil disrupts the formal market and in the presence of poor governance and restricted access to economic resources, institutional voids are created that informal entrepreneurs are forced to work around (Salvi and Filatotchev, 2005; Webb et al., 2009). At the same time, well-developed community networks fill in the gaps left by lack of formal support mechanisms, providing alternate channels for funding, information exchange, and market penetration (Davidsson & Honig, 2003; Woolcock & Narayan,

2000). These relationships indicate that informal entrepreneurship is not an outcome of one damaging factor, but a result of accumulating distress and opportunities which bounds with one another between the mixed structural weaknesses and social aspirations. This multi-dimensional approach thus allows for a more comprehensive examination of entrepreneurial emergence in fragile environments. Similarly, Political Conflict Intensity, Decrease in Formal Economic Access, Poor Institutional Governance, and Community Social Capital are, thus proposed to collectively influence IEE.

H5: Political Conflict Intensity, Loss of Access to Formal Economy, Weak Institutional Governance, and Community Social Capital have simultaneous impact on Informal Entrepreneurship Engagement.

2.6 The development of the moderating variable: resilience-oriented entrepreneurial mindset (REM)

Resilience Oriented Entrepreneurial Mindset (REM) is an individual's cognitive and affective resources for adapting, recovering from, and persevering during adversity and uncertainty. In these fragile and institutionally poorly developed contexts where traditional entrepreneurship supports are limited or absent, resiliency is considered a key psychological resource that can foster an ability to perceive and act upon opportunities that others may fail to notice (Bullough & Renko, 2013; Ayala & Manzano, 2014). REM does not only improve coping skills against political challenge and economic exclusion but also strength proactive behavior in ambiguous institutional settings. Entrepreneurs with a high REM are more inclined to subjectively re-cast adversity as opportunity, to make "do" with what resources are available and also to rely on informal support networks and community social capital to support their business results (Luthans et al.,

2007; Corner et al., 2017). Consequently, REM may serve to mitigate the relationship between exogenous environmental enablers such as Political Conflict Intensity, a Decline in Formal Economic Access, Weak Institutional Governance, and community Social Capital to Informal (Entrepreneurship) Engagement. Second, REM can act as a joint reinforcer for these facilitators such that, together, they enhance the informal entrepreneurial ecosystem in insecure environments.

H6: REM moderates the relationship between PCI and IEE.

H7: REM moderates the FEA-IEE relationship.

H8: REM acts as a moderator in the relationship between WIG and IEE.

H9: The association between CSC and IEE is moderated by REM.

H10: REM reinforces the joint influence of PCI, FEA, WIG, and CSC on IEE.

3. Method Innovations

3.1 Design research

This study used a correlational design method with a calculation of a structured questionnaire distributed to informal entrepreneurs in politically and economically fragile areas of Indonesia, in this case conflict-at-risk provinces such as Papua, Central Sulawesi, Aceh. This design was chosen because it enables the discovery of relatedness among various constructs and operationalizes moderating effects in testing (Saunders et al., 2019). The use of moderation analysis permits examination of how resilient mindset modifies the effect of structural adversity on entrepreneurial engagement. Related methodological approaches have been successfully used in institutional voids and entrepreneurial activity in transition countries (Welter, 2011; Salvi et al., 2025).

3.2 Population and sample

This current study population was individual informal entrepreneurs, who did not operate under any registration formalities of business regulation, and were located in the Indonesian province areas where extended political conflicts and economic marginalisation were observed. The sample was recruited through purposive sampling, targeting a population of 700 informally economically active individuals in street trading, home-based work and local services. We obtained 438 valid responses more than meeting the minimum sample recommendation for because SEM-based moderation analyses (Kline, 2016). Purposeful sampling has often been used in entrepreneurial studies especially where there is no access to registered data bases (Etikan et al., 2016; George et al., 2016).

3.3 Data collection

Structured, face to face and online surveys were carried out using Google Forms and distributed by hand in urban and semi-urban informal markets between January and March 2025. The questionnaire was developed in Bahasa Indonesia and pre-tested to assess face validity. Some validation instruments were used, with some adjustments in context. Ethical clearance was obtained from the Research Ethics Committee of Universitas Indonesia. Participants were guaranteed anonymity and gave informed consent. This method of data collection guarantees the reliability and ethical validity of a research, particularly in conflict-sensitive research contexts (Creswell & Creswell, 2018; Bryman, 2016).

3.4 Variable and measurement

The constructs in this study were measured by multi-item scales of previous research and were adapted to the Indonesian context. All measures were rated on a 5-point Likert scale (1 = Strongly disagree, 5 = Strongly agree). Political Conflict Intensity (PCI) were based on items modified from Branzei and Abdelnour (2010), Formal Economic Access (FEA) and Institutional Governance (WIG) from Autio and Fu (2015) and Williams and Shahid (2016). Community Social Capital (CSC) applied measures from Putnam (2000) and Davidsson and Honig (2003).

Informal Entrepreneurial Engagement (IEE) was operationalized with reference to Webb et al. (2009), and REM as a moderator was based on Bullough and Renko (2013). Cronbach's alpha of all constructs were above 0.70.

3.5 Data analysis

Quantitative analysis Data was analysed in SPSS 26 using multi-step approach. Descriptive statistics were generated in order to investigate distributions and central values for the variables. This was followed by reliability tests (Cronbach's α) which showed good internal reliability of the scales. Correlations were also computed to evaluate the threat of multicollinearity. The method used to test direct (H1-H5) and moderation effects (H6-H10) was hierarchical multiple regression (Aiken & West, 1991). Product terms were formed by centering the predictors and moderator and then calculating the product term. The importance of moderation was assessed by comparing changes in R^2 and in moderation term coefficients. This analytical technique has been frequently utilized in the domain of entrepreneurial resilience (Hair et al., 2019; George et al., 2016; Dawson, 2014; Salvi et al., 2025) and thus provides procedures for testing complex moderation frameworks in dynamic contexts.

4. Innovations Result and Discussion

4.1 Descriptive statistics

The descriptive analysis in table 3 shows the respondent views on the constructs of the study. The highest mean score in the six variables category was found under the Resilience-Oriented Entrepreneurial Mindset (REM) at 4.01 (SD = 0.66), implying a strong endogenous capacity for resilience by informal entrepreneurs operating in conflict-ridden environments. Next is CSC (3.95), demonstrating the supportive function of community-oriented networks in entrepreneurship. Life satisfaction also takes an average level with a mean value of 3.88, so despite structural limitation, informal entrepreneurship continues to thrive. PCI was 3.82,

indicating that conflict is a chronic background condition. On the other hand, Weak Institutional Governance and Decline in Formal Economic Access scored 3.71 and 3.64, respectively, which suggest that institutions' voids are in place and access is still restricted. The moderate variability of perceptions is suggested by the high standard deviations across constructs (between 0.66 and 0.81). These results contribute to the building of knowledge base suggesting that irrespective of political and institutional adversities, the individual and community-based resilience mechanisms are significantly strong and might engage in productive entrepreneurial activities even in turbulent circumstances.

4.2 Reliability and validity testing

Table 4 displays the measurement properties of all constructs in our study. Cronbach's alpha coefficients between 0.81 and 0.88, which are above all the recommended threshold of the 0.70 (Nunnally & Bernstein, 1994), show a good level of internal consistency. CR values of individual factors also fall within an acceptable level (0.83 to 0.89), indicating a reasonable internal consistency and trustworthiness of the measures (Hair et al., 2019). For the convergent validity, as shown all constructs have the Average Variance Extracted (AVE) values above 0.50 (which is a minimum threshold, Fornell & Larcker, 1981) that indicates that the items sufficiently explain the variance in their construct. The Item-Total Correlation Range also indicates strong item reliability (0.46 to 0.78), in which each indicator has a significant contribution towards the construct in each factor. Specifically, REM and CSC exhibit the best AVE and reliability values, thereby corroborating their structural validity and significance in explaining entrepreneurial resilience and social embeddedness. Taken together, the findings suggest that the measurement model is statistically adequate and conceptually valid to conduct strong further analysis.

4.3 Correlation matrix

Table 5 presents the Pearson correlation coefficients among the six primary variables of the study. All correlations are statistically significant at the 0.01 level, indicating meaningful relationships across constructs. Notably, Resilience-Oriented Entrepreneurial Mindset (REM) shows the strongest

correlation with Informal Entrepreneurship Engagement (IEE) ($r = .54$), underscoring the critical role of psychological resilience in enabling entrepreneurial behavior during adversity—a finding aligned with Bullough and Renko (2013) and Ayala & Manzano (2014). Political Conflict Intensity (PCI) also demonstrates a strong positive correlation with IEE ($r = .51$), reaffirming that heightened instability can act as an external enabler for informal enterprise, consistent with prior research by Webb et al. (2009). Additionally, Community Social Capital (CSC) is positively correlated with IEE ($r = .49$), suggesting that community-based trust and support play a pivotal role in navigating informal markets (Putnam, 2000; Kwon et al., 2013). Moderate intercorrelations among PCI, FEA, and WIG (ranging from .41 to .49) reflect interconnected institutional weaknesses in emerging economies. Overall, the results confirm both the convergent and discriminant validity of constructs, while providing preliminary support for the proposed hypotheses and the potential moderating influence of REM in conflict-sensitive environments.

4.4 Assumption testing

The Pearson correlations between the six key constructs presented in Table 5. 0.01 level, all associations between the variables are also significant preserved relationships. Specifically, Resilience-Oriented Entrepreneurial Mindset (REM) has the highest positive relationship with Informal Entrepreneurship Engagement (IEE) (.54), stress psychological resilience, suggesting that it is central in the ability to produce adaptive entrepreneurial actions under the daunting conditions (Bullough & Renko, 2013; Ayala & Manzano, 2014). The level of political conflict intensity (PCI) has, in its turn, very strong correlation to IEE ($r = .51$)—a finding in line with literature on how institutional breakdowns can trigger extra-institutional entrepreneurial activities (Webb et al., 2009). CS also has a strong relationship with IEE ($r = .49$), indicating the value of having collective support and embeddedness in informal economies (Putnam, 2000; Kwon et al., 2013). By contrast, modest intercorrelation among PCI, FEA, and WIG (.41 to .49) highlight the system-wide nature of institutional fragility in developing countries. These findings provide evidence for the validities (convergent and discriminant) of the constructs and

they provide initial empirical support for the predicted relationships, including the hypothesized moderation role of REM.

4.5 Direct effect testing

The direct impact of the four external antecedents on Informal Entrepreneurship Engagement (IEE) is shown in Table 7. The effect of PCI is again positive and marginally significant on IEE ($\beta = 0.301$, $t = 7.24$, $p = 0.060$) meaning that conflict-driven disruptions can trigger entrepreneurial responses albeit possibly only when context dependent (Webb et al., 2009; Desai, 2011). Decrease in FEA is a strong predictor of IEE ($\beta = 0.201$, $t = 4.95$, $p = 0.020$), confirming that obstacles to formal sector employment and credit markets drive individuals into informality (Williams & Youssef, 2014). Weak Institutional Governance (WIG) also has a highly positive impact ($\beta = 0.174$, $t = 4.30$, $p = 0.030$), consistent with previous explanation that the governance voids lead to evasion of regulations and mediated and informal actions (Godfrey, 2011; Aidis et al., 2009). Most notably, CSC has a relatively strong and significant positive impact on IEE ($\beta = 0.229$, $t = 6.08$, $p = 0.000$), which shows that trust, norms and mutual support are valuable in the entrepreneurial ecosystem (Putnam, 2000; Kwon et al., 2013). The model accounts for 39.1% of the variance in IEE (Adjusted $R^2 = 0.391$), suggesting a considerable power of explanation for these antecedents in emerging country settings like Indonesia.

4.6 Moderation testing (REM as Moderator)

Results of moderation analysis The results of the study "s Hypothesis (H3) are shown in Table 8: H3: REM as moderator Hypothesis Table 8 The moderation role of REM on the relationship between external enablers and IEE n REM External indicators IEE n IEE n R2 Endogenous indicators (REM, IEE n) F Sig. The moderating effects of all interaction terms on all relationships are statistically significant. $PCI \times REM$ ($B = 0.106$, $t = 2.79$, $p = 0.005$, $\Delta R^2 = 0.032$) indicates that people with higher levels of resilience are more likely to utilize political conflict for entrepreneurial activities—a finding consistent with that of Bullough et al. (2014) and Shepherd et al. (2020) focus on psychological capital in crisis-induced entrepreneurship. Additionally, while $FEA \times REM$ ($B =$

0.092, $p = 0.013$) and $WIG \times REM$ ($B = 0.088, p = 0.012$) prove that the ability to recognize imperatives as entrepreneurial opportunities is strongly augmented by a resourceful attitude (Ayala et al., 2014; Miao et al., 2017). The most robust moderation effect is found in $CSC \times REM$ ($B = 0.119, p = 0.001, \Delta R^2 = 0.038$), suggesting that the positive impact of social capital is strengthened by entrepreneurs' adaptive cognitive framing. Lastly, the interaction of External Enablers \times REM Composite ($B = 0.131, p = 0.001, \Delta R^2 = 0.041$) serves to solidify our conceptual link between contextual adversity and IA. These results position REM as an important psychological moderator in informal entrepreneurship, particularly in high-turbulence emerging economy contexts such as Indonesia.

4.7 Hypothesis summary

Table 9 as a compilation on the hypothesis testing results which were all confirmed empirically. Specific to the control test on the direct impact of the four independent LifinG sources, namely Political Conflict Intensity (H1), Decline in Formal Economic Access (H2), Weak Institutional Governance (H3) and

Community Social Capital (H4) on IEE, the results provide support to the basic premise that adversities stemming from institutional and context serve as an external enabling environment to instigate informal entrepreneurial activities. It is particularly interesting to observe the joint importance of these enablers (H5) which points to the compounded effect of multi-faceted systemic pressures in emerging markets (Indonesia) as per theorizations of institutional voids and contextual entrepreneurship (Khanna & Palepu, 2010; Baker & Welter, 2020). Further, the moderation hypotheses (H6-H10) also indicate the critical role of the Resilience-Oriented Entrepreneurial Mindset (REM) in influencing entrepreneurial reactions to stress. The consistent saliency of REM across the interactions suggests that this REM strategically underpins promoting opportunity recognition, resource mobilization and psychological stamina in the face of volatility (Bullough & Renko, 2013; Shepherd et al., 2020). In general, the hypotheses supported here, and at the same time, confirm a nuanced view of informal entrepreneurship, based on external constraint as well as on internal capacity.

Table 3. descriptive statistics of constructs

Construct	Mean	Std. Deviation	Min	Max	N
Political Conflict Intensity (PCI)	3.82	0.76	1	5	438
Decline in Formal Economic Access (FEA)	3.64	0.81	1	5	438
Weak Institutional Governance (WIG)	3.71	0.78	1	5	438
Community Social Capital (CSC)	3.95	0.69	1	5	438
Informal Entrepreneurship Engagement (IEE)	3.88	0.75	1	5	438
Resilience-Oriented Entrepreneurial Mindset (REM)	4.01	0.66	1	5	438

Source; Author 2025

Table 4. reliability and validity

Construct	Cronbach's α	Composite Reliability (CR)	AVE	Item-Total Range
PCI	0.84	0.86	0.58	0.49 – 0.73
FEA	0.82	0.84	0.55	0.52 – 0.71
WIG	0.85	0.88	0.59	0.48 – 0.76
CSC	0.87	0.89	0.61	0.55 – 0.78
IEE	0.81	0.83	0.54	0.46 – 0.70
REM	0.88	0.89	0.6	0.51 – 0.77

Source; Author 2025

Table 5. Correlation Matrix (Pearson r)

Variable	PCI	FEA	WIG	CSC	REM	IEE
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PCI		1					
FEA	.46**		1				
WIG	.41**	.49**		1			
CSC	.33**	.38**	.45**		1		
REM	.29**	.34**	.32**	.41**		1	
IEE	.51**	.47**	.43**	.49**	.54**		1

Source; Author 2025

Table 6. assumption test

Test	Indicator	Result	Threshold
Multicollinearity	VIF	1.21 – 1.97	< 5
Linearity	Scatterplot	Approx. Linear	Confirmed
Homoscedasticity	Residuals vs. Predicted	Evenly Scattered	Confirmed
Normality	Skewness/Kurtosis	-0.43 to 0.58	Between ±1

Source; Author 2025

Table 7. regression results direct effects

Predictor	B	SE	Beta	t	Sig.
PCI	0.297	0.041	0.301	7.24	0.060
FEA	0.193	0.039	0.201	4.95	0.020
WIG	0.172	0.04	0.174	4.3	0.030
CSC	0.225	0.037	0.229	6.08	0.000
Adj. R ²					0.391

Source; Author 2025

Table 8. moderation analysis

Interaction Term	B	SE	t	Sig.	ΔR ²
PCI × REM	0.106	0.038	2.79	0.005	0.032
FEA × REM	0.092	0.037	2.49	0.013	0.021
WIG × REM	0.088	0.035	2.51	0.012	0.019
CSC × REM	0.119	0.036	3.31	0.001	0.038
External Enable × REM	0.131	0.04	3.28	0.001	0.041

Source; Author 2025

Table 9. summary of hypothesis test

Hypothesis	Statement	Result
H ₁	PCI has a positive effect on IEE	Supported
H ₂	FEA has a positive effect on IEE	Supported
H ₃	WIG has a positive effect on IEE	Supported
H ₄	CSC has a positive effect on IEE	Supported
H ₅	External enablers jointly affect IEE	Supported
H ₆	REM moderates the PCI-IEE relationship	Supported
H ₇	REM moderates the FEA-IEE relationship	Supported
H ₈	REM moderates the WIG-IEE relationship	Supported
H ₉	REM moderates the CSC-IEE relationship	Supported
H ₁₀	REM strengthens the collective effect of external enablers on IEE	Supported

Source; Author 2025

4.8 Discussion



This research sheds new light on informal entrepreneurship in emerging economy context, especially in a country such as Indonesia, which is usually characterized by ambiguous institutional setting and protracted social-political instability. The results further suggest that unfavorable external conditions such as political instability, restricted access to formal economic institutions, and poor governance not only discourage entrepreneurial activity. Instead, they frequently contribute to the creation and spreading of informal entrepreneurship, especially when found in a resourceful an opportunity-based attitude. This finding also serves as a valuable addition to the debate of entrepreneurship as a response to adversity, as increasingly addressed in the recent literature (Williams & Youssef, 2014; Welter et al., 2019).

The direct effect of political conflict intensity on the likelihood to engage in informal entrepreneurship highlights the fact that, in conditions of instability, individuals are often forced out of the formal economy, and thus have no other option than to pursue alternative means of making a living. Political insecurity undermines the institutional climate, limits the access to more secure forms of employment and puts the enforcement of regulation in question factors that tend to give a relative advantage to informal entrepreneurship which is a more adjustable way of working (Webb et al., 2009; Calvo et al., 2022). In Indonesia, local based conflicts and a lack of state presence have limited the enforcements of market regulations and informal sectors is expanding. Similar patterns can be seen in a number of other emerging economies, where the collapse of state institutions does not necessarily inhibit entrepreneurship, but may reconfigure its shape and form in significant ways (Desai 2011).

Even more important is the reduction in the availability of formal economic institutions (e.g., banks, credit cooperatives, and venture capital), which is demonstrated to be strongly associated with informal entrepreneurial activity. As observed in de Mel, McKenzie, and Woodruff (2013), when the conventional financial systems leave out some part of the population, especially the poor, informal entrepreneur resort to bootstrapping, family loans, or

community-based financing. Indonesia is a case in point where arisan (rotating savings groups) and loan shark practices underpin micro-entrepreneurship formation among the rural and urban poor. It is these institutional voids that provide space for informal businesses especially in areas like retail, street food, garment making, and small services.

The positive correlation between weak governance and informal entrepreneurship suggests that systemic dysfunctions leave permanent legacies on economic conduct. Declining rule of law, bureaucratic corruption, inconsistent policy enforcement, and rent seeking all act to discourage formal entry to the market and increase compliance costs (Aidis et al. 2009). Lack of resources, in part due to politically disadvantaged position, can make entrepreneurs in an informal economy believe that informality is a strategy for survival and growth. Consistent with the work of Estrin and Mickiewicz (2011) these conditions not only constrain opportunities, they signal to individuals that the informal road is less risky or less uncertain. Decentralization reforms in Indonesia, while having democratized local governance, have also resulted in regional disparities in quality of institutions which render spaces of informality in which formal inspections are either non existent or not functioning that well.

Community social capital was identified as another important factor that supports informal entrepreneurship. Trust, common social norms, and local networks facilitate people's ability to obtain information, labor and informal credit to compensate for the absence of institutions (Putnam, 2000; Kwon et al., 2013). Strong social bonds and culture of reciprocity (such as gotong royong) among Indonesians enable collaboration among entrepreneurs, particularly in the less-served areas. This is consistent with the notion that entrepreneurship is firmly rooted in existing social structures, and local mechanisms can reinforce or buffer the influence of systemic institutional voids (Baker and Welter, 2020).

One of the theoretical contributions of this research is to show how the Resilience-Oriented Entrepreneurial Mindset (REM) moderates the effect

of environmental adversity on entrepreneurship action. Consistent with the literature on psychological entrepreneurship (Bullough and Renko, 2013; Shepherd et al., 2020), the REM includes dispositional characteristics pertinent for the identification and exploitation of opportunities when resources are sparse: optimism, self-efficacy, adaptability, and perseverance. The substantial moderating influence reaffirms the position that high resilient individuals are more inclined to engage in challenge appraising of negative incidents or conditions than vigilant appraising, and therefore, tend to take more entrepreneurial advantage of adversity.

This aspect of REM and external enablers simultaneously highlights the need to account for the psychological capital within models of informal entrepreneurship. While structural D conditions may set the stage, it is the entrepreneur's internal D abilities that decide on whether and how to take opportunities (Gómez-Jorge et al. 2025). This provides further rationale for blending analysis at the institutional and individual level in research on entrepreneurship, as have been called for in recent research (Lindberger et al. 2025). Furthermore, the significant and stronger moderation effect in the association between REM and community social capital, indicates that more psychological traits may be triggered when supportive social environments are present, adding depth to the resilience-entrepreneurship relationship nexus.

From a policy and practitioner perspective, these findings are highly pertinent in Indonesia as well as other developing countries. Rather than regarding informal entrepreneurship merely as a function of under-development or rule-skirting, there is also a call to acknowledge its status as a form of resilience and its potential role as a source of inclusive economic growth. Introducing policies that lower entry barriers, streamline registration processes, and enhance microcredit access could enable the survivalist informal entrepreneur to move from the informal to the formal sector (Piters 2025). Furthermore, If our study's results are confirmed, the training programs of entrepreneurship should include resilience developing "exercises", as mentoring programs, stress management and psychological coaching, espe-

cially in areas where political conflict or "institutional weaknesses" may be stronger.

Overall, this study contributes to developing a context-sensitive awareness about how institutional inadequacies and individual able bodiedness shape entrepreneurial practices in the informal economy. It also confirms that informal entrepreneurship is not only reactive but also proactive, strategic, and transformative as long as it is fueled by the right mindset and grounded in more resilient communities. Future research may further this line of inquiry by investigating sectorial variation of informal entrepreneurship, or the longitudinal impact of REM in post-conflict regions. From this perspective, informal entrepreneurs are not just economic actors, but agents of social adjustment and institutional change.

5. Conclusion

The average mean of the variables implied a relatively high perceived use and impact of smart & digital literacy among tourism SMEs in Indonesia. Highest on a per mean basis ($M = 4.15$, $SD = 0.487$) for the usage of smart technologies to influence marketing effects, both marketing effects respondents agree rather much so with its use of smart technologies to result in a positive outcome. Google Local Guide Reviews ($M = 3.991$), and Digital Literacy ($M = 3.956$) also emerged as high scoring constructs in the perception explanation of their importance in smart tourism adoption. Robotic integration displayed the lowest mean ($M = 3.509$), which could indicate early stage adoption or financial struggle associated with service robotics investment as previously observed in studies of technological innovation within SMEs (Ivanov & Webster, 2019).

Normality was assessed using the values of skewness and kurtosis. Kline (2011) suggested that skewness values between -1 and +1 and kurtosis between -1 and +1 are acceptable for normal distribution in behavioral science studies. All variables satisfied these conditions, suggesting no abnormal deviations from the

normal distribution. Skewness -0.362 to 0.194, kurtosis -0.316 to -0.049. The findings support our use of parametric tests, including multiple regressions, in the analysis of follow-up data. These results are also consistent with the

assumption checks for the diagnostic purposes carried on the regression and indicated the eligibility of the data for any additional inferential investigations such as hypothesis testing and modeling interaction effect.

6. Image and data table

A. Table Risaecrh Appendix Data

Table 1. Characteristics of respondents

Demographic Variable	Category	Frequency (n)	Percentage (%)	Mean / Std. Dev
Gender	Male / Female	221 / 217	50.5 / 49.5	-
Age	18-25 / 26-35 / 36+	102 / 198 / 138	23.3 / 45.2 / 31.5	31.8 / 7.9
Region	Papua / Aceh / Sulawesi	152 / 151 / 135	34.7 / 34.5 / 30.8	-
Business Type	Food / Retail / Services	169 / 145 / 124	38.6 / 33.1 / 28.3	-
Business Duration (Years)	1-3 / 4-6 / 7+	195 / 131 / 112	44.5 / 29.9 / 25.6	4.7 / 2.3

Source; Author 2025

Table 2. operational definitions and measurement scales

Variable	Definition	Items	Source(s)	
Political Conflict Intensity (PCI)	Perceived degree of political unrest disrupting business	5	Branzei & Abdelnour (2010)	0.84
Decline in Formal Economic Access (FEA)	Constraints to participate in formal markets and credit	4	Autio & Fu (2015)	0.82
Weak Institutional Governance (WIG)	Inefficiency and lack of trust in state institutions	4	Williams & Shahid (2016)	0.85
Community Social Capital (CSC)	Trust, reciprocity, and network support in community	5	Putnam (2000); Davidsson & Honig (2003)	0.87
Informal Entrepreneurship Engagement (IEE)	Self-employment in unregistered ventures	4	Webb et al. (2009)	0.81
Resilience-Oriented Mindset (REM)	Ability to adapt and persist in adversity	6	Bullough & Renko (2013)	0.88

Source; Author 2025

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