

ENTREPRENEURSHIP AS ECONOMIC RESILIENCE IN CRISIS ECONOMIES:**Lebanon as a Case Study in Post-Collapse Venture Formation**

Author: Peter Sfeir¹

Affiliation: CIRAME Research Center, Business School

Holy Spirit University of Kaslik, P.O Box 446, Jounieh, Lebanon

Abstract:

Lebanon's economic collapse between 2019 and 2022, classified by the World Bank as one of the most severe sovereign financial crises since the mid-nineteenth century, produced conditions of extreme institutional fragility: hyperinflation, banking system paralysis, and mass capital flight. Paradoxically, this period of systemic failure coincided with a marked acceleration in entrepreneurial activity, as individuals stripped of formal employment and banking access turned to micro-enterprise, digital commerce, and diaspora-financed ventures as primary mechanisms of economic survival. This paper investigates the relationship between crisis severity and entrepreneurial activity in Lebanon, arguing that entrepreneurship functions not merely as an economic behavior but as a fundamental mechanism of collective and individual resilience in the face of institutional collapse. Employing a mixed-methods design, integrating a quantitative cross-sectional survey of 320 entrepreneurs across five Lebanese governorates with a phenomenological qualitative inquiry comprising 40 in-depth interviews, the study finds that necessity-driven entrepreneurship accounted for 61.4% of new ventures post-2019, that 73.8% of entrepreneurs relied on diaspora remittances as their primary capitalization source, and that female-led enterprises demonstrated significantly higher survival rates than male-led counterparts (68.2% vs. 51.7%; $\chi^2 = 9.34$, $p = .002$).

Three qualitative themes emerge: adaptive innovation, community-anchored resilience through religious and civil society networks, and psychological ambivalence consistent with Shepherd's (2019) dual-process model. The findings advance crisis entrepreneurship theory by proposing a transnational resilience framework, establishing gender as a moderating variable in crisis entrepreneurial outcomes, and theorizing religious institutional networks as entrepreneurial infrastructure. Implications for policymakers, international development institutions, and the Lebanese diaspora are discussed.

Keywords:

crisis entrepreneurship, Lebanon, economic resilience, institutional void, necessity entrepreneurship, diaspora capital, gender, MENA

Introduction: "The What & Why"

1.1 Purpose and Importance of the Study

From 2019 to 2022, Lebanon's financial system collapsed and became one of the most severe sovereign debt crises in modern history. The World Bank classifies the Lebanese financial crisis as one of the worst in world history since the middle of the 1800s. It was characterized by a currency devaluation of over 90 percent, banks closing down completely, inflation exceeding triple digits, and extreme declines in purchasing power of households. An unexpected phenomenon has emerged due to the systemic failure of Lebanon's economy an increase in the number of entrepreneurs who are creating businesses as a result of necessity, creativity, and a need for economic survival.

This paper analyzes the apparent contradiction of entrepreneurs starting businesses during a time of the complete collapse of the state's infrastructure, with the thesis that entrepreneurship is not simply an economic activity, but also a means of building resilience at both the community and individual levels. Recognizing this relationship between entrepreneurship and resilience may be important for crisis economists, developers, and policy-makers as they create recovery plans for fragile states. As global economic crises are increasing in frequency due to geopolitical tensions, climate change, and the lingering effects of the COVID-19 pandemic, Lebanon provides an ongoing research opportunity to empirically test theories of entrepreneurial resilience, household economic stability, institutional gaps, and adjustments to informal markets.

1.2 Background: The Lebanese Crisis Context

The entrepreneurship ecosystem in Lebanon up to 2019 was thriving and well-known throughout the Middle East. Beirut was heralded as being the 'Silicon Valley of the Arab World', thanks to Beirut Digital District and Berytech, which supported innovation and attracted a great deal of venture funding from the region. However, after experiencing the Thawra (Revolution), along with the Beirut Port Explosion and a continued banking crisis, the entrepreneurship ecosystem was devastated. Access to capital was cut off; consequently, there was a tremendous outflow of talented professionals who fled the country looking for better opportunities.

At the same time, necessity-driven entrepreneurship became increasingly prevalent throughout the country as people were forced to create their own small businesses when they could no longer use the banks, through micro-enterprise, exchange/bartering, digital commerce, and diaspora-funded businesses. The combination of both of these events (the collapse of established institutions and the rise of necessity-driven entrepreneurship) provides the basis, both empirically and theoretically, for this research study.

Literature Review: "The story so far "

2.1 Foundational Theoretical Frameworks

According to Schumpeter's (1942) theory of creative destruction, the process of economic renewal through entrepreneurship is an enduring element of the entrepreneurial process. Schumpeter suggested that entrepreneurs disrupt the previous market equilibrium via their innovations; they construct new productive structures out of the rubble left by the destruction of the previous productive structures. Since then, many researchers have utilized Schumpeter's creative destruction theory as a foundation for research conducted in crisis situations whereby the destruction caused by the economic collapse ultimately accelerates (yet paradoxically) the

creative destruction process as posited by Schumpeter. This study will provide empirical evidence to support this theory in the example of Lebanon.

According to Kirzner (2015), entrepreneurs are characterized by their alertness to entrepreneurial opportunities when information asymmetries and resource allocations are particularly distorted. During crises, these distortions are often amplified to the point at which alert individuals can fully take advantage of entrepreneurial opportunities. In Lebanon, the entrepreneurial alertness exhibited by a number of entrepreneurs included the development of informal currency exchange platforms, solar micro-generation businesses, and digital remittance services all examples of entrepreneurial opportunities that have developed as a result of the breakdown of formal institutions. Baumol (1996) further highlights Lebanon's example by differentiating between productive entrepreneurship and unproductive entrepreneurship. In Lebanon, a weakened regulatory environment has allowed for the creation of both value-creating forms of entrepreneurship and the facilitation of informal rent-seeking activities.

2.2 Crisis Entrepreneurship and Institutional Theory

Here, North (1990) developed his institutional framework particularly relevant. He postulated that the formal institutions (such as the laws or property ownership rights and enforcement of contracts) created a foundational "framework" for economic actors to operate within. As these institutions decline, entrepreneurs have created alternative models through trust-based networks as well as community-based cooperatives and diasporic circuit of financing.

In the process, they have created new forms of institutional entrepreneurship which have not yet been theoretically investigated as a source of recovery resiliency for crisis events.

Recently, the development of scholarly literature by Shepherd & Williams (2019) and Roundy et al.'s (2017) has added to the concept of crisis entrepreneurship as an independent field. Shepherd & Williams' (2019) grief and recovery model provide insight into how entrepreneurs process loss of systemically-functioning institutions using dual-process models based on the cyclical oscillation between grieving the death of institutions and building new economies for their futures. At a collective level, this psychological process can be seen across the entrepreneurs in Lebanon today, with an influence extended to other sectors such as education (Azoury & Habchi, 2023), financial institutions (Athari et al., 2023 ; Khalife et al., 2022), and the financial performance of both large companies (Kaspard et al., 2026) and SME's (Khalife et al., 2024). This is particularly relevant in our modern era, where technological breakthroughs and AI development rendered the environment for enterprises more competitive than ever (Subrahmanyam & Beainy, 2026).

2.3 Identified Gaps

Significant voids still exist even though greater research has been conducted in this field. Most quantitative studies occur in East Africa and South Asia while very little has been completed in the MENA region (specifically Lebanon). While previous work has been analyzed in these areas through prior research methodology with a closer look at Lebanon due to its current circumstances, this paper provides insight into local (Maronite) and gendered aspects of entrepreneurship and entrepreneurial behavior found in Lebanon based on empirical data collected through two different types of research methodologies.

Methodology: "The how we did it "

3.1 Research Design and Philosophical Positioning

The current study is a mixed-methods approach, which combines both qualitative and quantitative methods within a pragmatist epistemology. According to Creswell & Plano-Clark (2018), pragmatism values the research question above all else and allows for the use of many different types of methods to find knowledge about the context. Since both the economic indicators of entrepreneurial resilience can be measured and the human nature of the motivators cannot be measured, then both epistemologically and methodologically there is justification for using a mixed-methods approach.

3.2 Quantitative Strand (Objective)

The quantitative resource has employed a cross-sectional survey method targeting a stratified random sample of 320 Lebanese entrepreneurs from five different regions throughout Lebanon, including: Beirut, Mount Lebanon, North Lebanon, South Lebanon, and the Bekaa Valley. The stratified sampling method provides a representative sample of entrepreneurial activity across regions, genders, industries and sizes of enterprises.

The survey tool for collecting data was a structured questionnaire that utilized validated scales from the Global Entrepreneurship Monitor's (GEM) Adult Population Survey and the Entrepreneurial Resilience Scale (Duchek, 2020) as well as an Institutional Confidence Index which was developed specifically for this study. The structured questionnaire included 68 items across six dimensions; entrepreneurial motivation, trust in institutions, access to capital, innovation behaviour, use of networks, and feelings of resilience.

IBM SPSS v.29 and AMOS will be used for evaluating the data collected using structural equation modelling (SEM). Descriptive statistics, multiple regression analysis, factor analysis and path analysis will be performed to test the proposed relationships. The significance level will be set at $p < .05$ and will be corrected using Bonferroni adjustment. Reliability will be evaluated using Cronbach's alpha ($\alpha \geq 0.70$), while validity will be evaluated through confirmatory factor analysis (or CFA) based on the work developed by Fornell and Larcker (1981).

3.3 Qualitative Strand (Subjective)

To capture the lived experiences of entrepreneurs who have been through crisis situations, the qualitative part of this research will use an interpretivist phenomenological approach to find the essential elements of the experience of being an entrepreneur in the context of complete failure of the economic system (van Manen 1990).

For data collection semi-structured interviews were conducted with 40 purposively selected participants (using maximum variation on the basis of gender, sector, length of time in business, and severity of effect of crisis) using both Arabic and English, digitally audio recorded (with their permission), and later transcribed word for word with an average duration of 60 to 90 minutes each.

Thematic analysis following Braun and Clarke's (2006) six-phase approach using NVivo 14. Trustworthiness was achieved through member checking (also known as respondent validation), peer debriefing, thick description, audit trail, and reflexive journaling.

3.4 Integration Strategy

A convergent parallel procedure is employed for the integration of the two strands of quantitative and qualitative information in the data interpretation phase. The resulting data from the two strands are compared against each other and combined to create new ways of understanding entrepreneurial resilience. Any conflicts between the two strands are considered to be opportunities for theory development and additional research, as opposed to being failures of methodology that need to be resolved.

Results: "The facts "

4.1 Quantitative Findings

The preliminary survey analysis revealed many significant findings. Necessity-based entrepreneurship represented 61.4% of the new business establishments created after 2019, while there were only 24.3% opportunity-based businesses created, representing an inversion of the motivational ratio pre-crisis and consistent with GEM crisis types, but to a much greater degree than the post-conflict examples. Institutional trust was found to be significantly negatively correlated with formal banking use ($r = -0.71$, $p < .001$), indicating that the collapse of banking institutions accelerated entrepreneurs' use of alternative forms of finance.

Another significant finding is that 73.8% of entrepreneurs surveyed are using remittances sent to them by members of the diaspora, compared to the pre-crisis level of approximately 35%. This indicates that transnational forms of social capital have now replaced the traditional forms of financial infrastructure for Lebanese entrepreneurs.

In females versus males, the five-year survival of female-led businesses is significantly greater (68.2%) than that of male-led businesses (51.7%) for the cohort established after 2019 ($\chi^2=9.34$, $p=.002$).

4.2 Qualitative Findings

Three major experiential themes are present based on the interviews and they include; Adaptive Innovation, which reflects how participants describe intentional shifts within their business strategy towards industries that have become more economically viable due to the COVID-19 pandemic, such as renewable energy micro-generation; health care substitution; and digital services. Community-anchored resilient communities do so using a wide variety of religious institutions (including Maronite parish networks/Islamic charitable organizations) and act as vital pillars by providing mentoring and access to informal credit/market access during times of uncertainty. Thirdly, participants express both pride in the ability to be an entrepreneur and sadness for the reasons that drive that decision (consistent with Shepherd's [2019] dual-process model of resilience).

The intersection of qualitative and quantitative findings yield a significant perspective. The statistical survival rate of women is qualitatively connected through the stronger use of community networks, more conservative financial practices in uncertain conditions, and more flexibility between sectors than their male counterparts, thus creating an intersection that enhances the credibility of these findings and providing evidence that gender has been underappreciated as a social construct that influences the relationship between entrepreneurship and resilience according to the existing literature on crisis entrepreneurship.

Discussion and conclusion: "The so what ? "

5.1 Limitations

There are a number of limitations for the conclusions provided in this document. First, the cross-sectional survey methodology does not provide any ability to infer causal or temporal relationships between crisis severity and entrepreneurial outcomes, whereas a longitudinal methodology would provide a much better level of directionality. Second, the purposive sampling that was used in the qualitative component of this study may be subject to selection bias, as the entrepreneurs who participated in this research may differ systematically from those who did not in terms of motivation, resilience, or access to information. Third, the forced geographical location of Lebanon limits the ability to generalise to other crisis economies. However, due to the use of rich descriptions, as well as explicit mapping to the context, it is theoretically transferable to other crisis economies. Fourth, the rapidly changing political and economic landscape may mean that the findings of this study are just one snapshot; therefore, replications of this study at different time periods, during different stages of the crisis, would be an important area of future research. Finally, data from self-reported surveys may be subject to social desirability bias for both self-reported income sources and trust in government, both of which are very sensitive issues politically in the current climate of Lebanon. Therefore, there is a need for future research to supplement self-report measures with administrative data where it is available.

5.2 Directions for Future Research

The findings of this study point towards several productive research directions. Longitudinal studies that follow the same entrepreneurial group over 10 years can demonstrate whether necessity-based entrepreneurship transitions into opportunity-based entrepreneurship as institutional parameters become established. This is an interesting theoretical issue that has direct implications for recovery policy development. Comparative studies of Lebanon and Venezuela, Zimbabwe, and Sri Lanka could produce cross-case theoretical refinement that distinguishes between context-specific and generalizable dimensions of entrepreneurial resilience.

The theoretical development of the role of diaspora networks as intermediaries of financial and knowledge resources is also warranted. The Lebanese case suggests a need for an integrated transnational entrepreneurial resilience framework which recognizes the influence of both the country of origin and the host country. This is a major gap in existing international entrepreneurship theory. The gendered dimensions of entrepreneurship identified in this study should also be explored further through feminist economics research and with an intersectional theoretical lens to consider how gender interacts with class, religion, and geography to shape entrepreneurship experience in crisis environments. Finally, the intersectional relationship between religion and the entrepreneurial activities of Maronites, and the broader religious institutional networks associated with crisis entrepreneurship, has received inadequate theoretical attention and warrants more extensive qualitative and ethnographic research.

5.3 Summary and Theoretical Contributions

The research asserts that entrepreneurship is a primary form of economic resiliency within crisis economies with the collapse of Lebanon post 2019 serving as an exemplary case because of the unusual analytical clarity of the data. Through the workings of Schumpeterian creative destruction, Kirznerian entrepreneurial alertness and Baumolian institutional economics, in conjunction with the contemporary literature related to crisis entrepreneurship, the study demonstrates that while

institutional voids destroy established entrepreneurial ecosystems, they also create new forms of adaptive, community-based transnational entrepreneurship for the future.

Quantitatively, the findings indicate a reversal of motives for entrepreneurial activity from an opportunity-driven approach to a necessity-driven approach; the transition from formal financial intermediation to diaspora capital; and the statistically significant resilience benefit associated with female-led businesses. Qualitatively, the findings provide phenomenological depth with respect to adaptive innovation, community-rootedness, and psychological ambivalence experienced by entrepreneurs who are experiencing such phenomena within crises.

The study has two primary theoretical contributions. First, the study demonstrates that diaspora networks provide quasi-institutional substitutes for crisis entrepreneurship in the MENA region when formal financial and social institutions are absent or inoperative; thereby providing a transnational resilience extension of crisis entrepreneurship theory. Second, the study is the first to provide systematic empirical evidence that gender moderates the entrepreneurship-resilience relationship in the context of MENA crisis, thereby challenging the assumption of gender neutrality in existing crisis entrepreneurship theoretical models.

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