



ECONOMIC INSTABILITY, PSYCHOLOGICAL DISTRESS AND RESILIENCE IN ENTREPRENEURS

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Abstract

The aim of the current research was to examine the relationship between the perceived economic instability, psychological distress, and resilience in entrepreneurs. The research design was correlational, and the study sample was 100 entrepreneurs (N = 100) (including 87 males (n = 87) and 13 females (n = 13) aged between 18 and 35 years (M = 27.46, SD = 5.12). Self-report measures were used to gather data, among which were a demographic information sheet, Perceived Economic Instability Scale, the Kessler Psychological Distress Scale (K10; Kessler et al., 2002), and Brief Resilience Scale (BRS; Smith et al., 2008). The relationships and predictive roles of the study variables were tested and subsequently predicted using Pearson correlation and multiple regression analysis with the help of the SPSS. Findings established that the perceived economic instability was positively related to psychological distress and negatively related to resilience. In addition, regression analysis revealed that, perceived economic instability was a negative predictor of resilience and psychological distress, a positive predictor of resilience. These results indicate that both economic and psychological instability are important predictors of resilience in the entities of entrepreneurs and that both need to be represented in entrepreneurial well-being.

***Keywords:** Economic instability, Psychological distress, Resilience, Entrepreneurs, Large businesses.*

Introduction

Economic instability, which can be defined as the persistent instability of significant macroeconomic variables such as inflation, exchange rate, fiscal deficit, and GDP rate of growth, plays a major role in business ecology across the entire world (Haque et al., 2022). Its highs and lows in the developing world economies like Pakistan create an extremely challenging environment indeed to the industrialists, particularly those with minimal or no financial safety nets and institutional support to them. Entrepreneurs are confronted with many levels of risk, including the uncertainty of how a marketplace will receive products on offer to increases in costs of inputs in addition to dealing with the psychological toll of the economic cloudiness (Shabbir & Shahid, 2023). One of the typical effects of a long-term exposure to unstable economic conditions is psychological distress that includes such symptoms as anxiety, burnout, and depressive tendencies (World Health Organization, 2023).



Economic Instability

Economic instability refers to the recurrent disruptions and fluctuations within a country's economy that prevent sustainable growth and create uncertainty for individuals, businesses, and policymakers. It is often characterized by high inflation, unemployment, volatile GDP growth, and currency depreciation, all of which undermine economic confidence (Mankiw, 2020). More broadly, instability can also stem from political crises, external shocks such as pandemics or wars, and structural weaknesses within a country's fiscal or trade systems (World Bank, 2023).

Psychologically, economic instability is a more than merely not a monetary upheaval, but it is an enduring stressor further depleting financial security, raising uncertainty and vulnerability to mental health problems (Stuckler & Basu, 2013). Instability has a direct influence on business performance, choice of investments and long term sustainability to the entrepreneurs, and thus is a very important factor in the interpretation of distress and resilience in emerging economies like Pakistan.

Economic instability in Pakistan

Since 1947, when it gained independence, the Pakistani economy has been falling to new growth spurts with abrupt reductions dubbing this pattern the so-called boom-and-bust cycle (Malik & Khan, 2021). Modest gains were made in terms of partial economic liberalization during 1990s but due to its structural weaknesses, governance issues and political instabilities, becoming stable within the long run could not be achieved. Strong growth was recorded towards the beginning of the 2000s, especially during the reign of Shaukat Aziz when GDP reached almost 9 percent in 2004-2005 (State Bank of Pakistan, 2022). Nevertheless, this era of growth was succeeded by major shocks such as the world financial crisis in the year 2008 and frequent power cuts as well as the loss of exports. Chronic fiscal deficits, unsustainable debt servicing and shrinking levels of foreign reserves in the last decade have aggravated exposure to external shocks (Hussain, 2023).

Types of Economic Instability

Macroeconomic Instability. It is the changes in the key dynamics or indicators of economy including inflation, fiscal deficit, interest rates and GDP growth. Unpredictable and irregular inflation will make consumers have less purchasing power leading to a fall in the overall consumer demand. Equally, high fiscal deficits put pressure on the government budget and reduce the planned investment in essential infrastructure, health and education projects that foster sustainable development. This volatility poses significant risk to entrepreneurs: demand becomes more unpredictable; the prices of raw materials get higher and future investments are highly risky to plan. In Pakistan, indeed, inflation and repetitive fiscal imbalances have rendered it very hard on small and medium-sized enterprises (SMEs) to maintain fluidity in their functions. The high macroeconomic instability does not only deteriorate but also undermines entrepreneurship activities and slows down the rate of economic growth, increasing the gaps of poverty and inequality (Ahmed & Anwar, 2019).

Financial Instability. It occurs when the banking system and financial markets stop serving credit, liquidity and security to businesses and households adequately. Cases like capital flights, devaluation of the currency and bank collapses will dampen the trust in the financial system undermining investments and savings. As indicated by Reinhart and Rogoff (2009), financial crisis is usually followed by long recessions and entrepreneurs are the most affected especially the SMEs since they rely greatly on external credit and have little reserves to absorb the shocks. In Pakistan, unstable currency, which regularly depreciates and tight credit markets mean that businesspeople have more trouble growing or maintaining their operations. Elevated



levels of interest rates and very strict lending regulations do not allow innovative startups to prosper, which leads to a lack of employment and economic growth. Therefore, the financial instability is a self-perpetuating cycle of low entrepreneurship due to disincentive of weak financial institutions and a weaker state of the entire economy.

Political Or Institutional Instability. Political and institutional instability is a major determinant of economic performance as it discourages investors and causes problems in the entrepreneurship sector. The numerous changes in government, policy inconsistency, corruption and poor regulation frameworks do not encourage the long-term investments as entrepreneurs always fear change in policies and regulations. According to Acemoglu and Robinson (2012), the development of weak institutions and unstable governance system entails emergence of extractive systems where resource distribution is concentrated on the hands of a few involving suppression of innovation and entrepreneurship. In Pakistan, frequent political instabilities and unstable economic policies have made the business suffer due to the uncertainty about the taxes involved, energy sources, and regulations. Corruption and inefficiencies in the bureaucracy adds to costs of doing business increasing the difficulty of entrepreneurs to compete in the local and global market. Institutional and political instability therefore restricts opportunities, constrains development in the private sector and maintains an underdevelopment cycle.

External Instability. External instability is caused by global shocks which may have a direct or indirect effect on the domestic economies e.g. changes in oil price, war or geopolitical conflicts or pandemics. Other countries (such as developing nations like Pakistan) are especially at risk because of their reliance on imports, remittances and foreign aid. The sudden increase in the prices of oil will cost businesses and individuals because the transportation and production costs hiked. In the case of the COVID-19 pandemic, it caused the disruption of global supply chains, export contraction, and mass unemployment, and therefore, left a significant number of entrepreneurs barely able to support their businesses (IMF, 2022). On the same note, the geopolitical tensions such as the Russia-Ukraine conflict led to a world energy crunch and inflation, which destabilized emerging economies. Due to the influence of the external instability on the Pakistani entrepreneurs, there is an increase in the cost of production, particularly in high demand abroad and limited access to foreign markets. Such external shocks end up heightening domestic weakness and as such reveals the instability of the developing economies (UNCTAD, 2023).

Psychological Distress

Psychological distress refers to a state of emotional suffering that arises when external or internal stressors exceed an individual's coping capacity. It is commonly represented by the negative feelings of anxiety, sadness, hopelessness, irritability, and absence of motivation. It is an emotional reaction to misfortune, such as financial crisis, school pressures, joblessness, or family discord, unlike a particular diagnosable condition. The negative effects of chronic distress on the everyday functioning of a person are not only debilitating but also predispose an individual to the development of mental illnesses like depression and generalized anxiety. The researchers note that chronic distress undermines resilience and lowers productivity and disturbs social relationships. It can thus be said to be a psychological phenomenon as well as a social phenomenon and is a manifestation of the interaction between individual susceptibility and environmental demands. (Mirowsky & Ross, 2003).

Entrepreneurship

An entrepreneur is someone who sees the business opportunities, takes the initiative and mobilizes resources to create and run a business venture, usually despite the dangers and



uncertainties. Entrepreneurship does not only connote business startup, rather it can be seen as the capability of innovation, the attribute of being creative, and the ability to transform to adapt new environments. Entrepreneurs also play the role of contributing to economic growth because they introduce new products, services or processes that satisfy the needs of consumers and enhances efficiency. They can be characterized as risk takers, innovators, and decision makers bearing the responsibility of the success and failure of their venture.

According to an academic definition, Hisrich and Peters (2002) note that entrepreneurship is a process through which something of value is created by application of the appropriate time and efforts and accepting the corresponding financial, psychological and social risks, and gaining the corresponding monetary and personal satisfaction. In the same vein, Schumpeter (1934) focuses on the fact that entrepreneurs are innovation agents who trigger the economic development through new combinations of resources.

Entrepreneurships in Pakistan

Small And Medium Enterprises (SMEs). Most of the Pakistan economy revolves around Small and Medium Enterprises (SMEs) that contribute about 40 per cent of the GDP, and also provide jobs to a significant proportion of the work force. These firms are small stores, service providers, and medium size industries in the sphere of textile, food, and manufacturing (Khan & Khalique, 2014).

Social Entrepreneurship. In Pakistan, the concept of social entrepreneurship is emerging whereby individual and organizations strive to solve social problems of poverty, lack of education and healthcare needs. Such entrepreneurs come up with creative business models that are socially minded rather than focused on profits. Good examples are entities to do with microfinance, women empowerment and cheap healthcare (Yunus et al., 2010).

Tech-Based Entrepreneurship. As Pakistan expands on its digital infrastructures, the entrepreneurship related to technology is a growing, rapidly practicing industry. Government interventions such as National Incubation Centers and other privately funded accelerators have generated positive ecosystems to develop innovation (Qureshi et al., 2021).

Agricultural entrepreneurship. Agricultural entrepreneurship is among the major pillars of development in Pakistan because the state is highly agrarian. Entrepreneurs in this, are investing in the agribusiness, modern farming, food processing, and export of the agricultural products (Rehman et al., 2019).

Large business entrepreneurship. The most significant enterprises in the context of large business entrepreneurship in Pakistan are their large corporations and family groups that control the industries like banking, cement, energy and textile. These industries create mass employment and bolster exports as well as revenue collection in terms of taxation. (Haque, 2019; Pakistan Business Council, 2021).

Theoretical Framework

The proposed research combines two adjacent theoretical frameworks in order to investigate the linkage between economic instability, psychological distress, and resilience among businesspeople in Pakistan.

Conservation of Resources (COR) Theory. Advanced Conservation of Resources idea formulated by Hobfoll (1989) assumes that people are motivated to gain, maintain and defend valuable resources of any nature (material, e.g. financial capital, social, e.g. networks, psychological e.g. emotional stability). The economic uncertainty makes the resources directly endangered because it destroys the income, lowers the market demands, and makes operations expensive. In the case of entrepreneurs, such resource loss causes stress because the perceived



or real loss of capital, time, and energy affects the ability of the person to achieve business and personal objectives (Hobfoll et al., 2018).

Psychological Capital (Psycap) Theory. Psychological Capital model suggested by Luthans et al. (2007) can provide a complementing perspective since it focuses on positive psychological conditions that tend to fight the adverse outcomes of resource loss. The essential dimensions of PsyCap, self-efficacy, hope, optimism, and resilience, help individuals to have an adaptive functioning in conflicts. The negative effects of economic instability along with the promotion of proactive coping styles, endurance, and creative problem solving in the environment of entrepreneurship are effectively eradicated by PsyCap as a protective response (Newman et al., 2014).

. Research from each section examines the solo and merged effects of these variables towards entrepreneurship through empirical investigations.

Perceived Economic Instability and Psychological Distress

Smith and Patel (2018) examined the relationship between entrepreneurs' mental health and their assessment of economic uncertainty. Owners who reported a lack of confidence in their financial stability experienced higher anxiety and depression scores regardless of their true financial security levels. Research data showed that individual judgments about finances produce greater psychological harm in comparison to objective financial performance. Business owners experienced major emotional pain in secure economic conditions through worrying about upcoming economic downturns. The research shows that anticipating potential loss functions as a much stronger mental strain factor compared to the actual experience of failure. Information from this study directly supports business owners handling market fluctuations. Managers must work to control economic messages since these messages directly affect psychological health according to the authors.

Psychological Distress and Resilience

In time-series research conducted by Gorgievski and Stephan (2016), it is demonstrated that entrepreneur resilience allowed business leaders to maintain their business operations and feelings even during the prolonged times of financial hardship. High resilient business owners showed their ability to combat the negative emotions and remain rational making potential during economic recessions. Emotional stability in tough times is vital to leaders who deal with complex business operations. This exploration has shown that resilient resources are long-term psychological reserves that safeguard both the wellness of the individual and the business functions continuity. It was indicated that psychological strength generates direct quantifiable returns to business performance during periods of economic turbulence.

Perceived Economic Instability and Resilience

Through his study of South African entrepreneurs resilience Fatoki (2018) discovered that resilience helped entrepreneurs cope with economic challenges like inflation and unemployment alongside market instability. The adaptability and emotional stability levels of resilient entrepreneurs enabled them to effectively handle challenging economic times. The resilient nature of these business leaders helped them keep operating their operations through the financial challenges. In the business world large-scale owners must adapt swiftly to changes in the global economy meaning adaptability stands as their main lifeline. According to Fatoki's study researchers need to develop resilience training to protect both business operations and mental health stability of entrepreneurs during financial instability.



Objectives

Following are the objective:

- To examine the relationship between economic instability, psychological distress and resilience in entrepreneurs.
- To predict the relationship between economic instability, psychological distress and resilience in entrepreneurs.

Hypothesis

Following are the hypothesis:

1. There will be a positive relationship among economic instability, psychological distress and resilience in entrepreneurs.
2. Economic Instability will positively predict psychological distress and resilience in entrepreneurs.
3. Economic Instability will positively predict resilience in entrepreneurs.

Method

Research design

The present study employed a correlational research design to investigate the relationships between economic instability, psychological distress, and resilience among entrepreneurs in Pakistan.

Sample

The sample comprised 100 entrepreneurs ($N = 100$), aged between 25 and 55 years ($M = 32.96$, $SD = 7.47$), selected from manufacturing units across different cities of Pakistan. A purposive sampling technique were used.

Inclusion criteria:

- Owner of a manufacturing business.
- At least two years of experience running the business.

Descriptive statistics of demographic variables as shown in table 1.

Table 1

Descriptive Statistics of Demographic Variables (N = 100)

<i>Variable</i>	<i>f(%)</i>
Gender	
Male	87%
Female	13 %
Marital Status	
Single	26 %
Married	72 %
Divorced	2 %
Family System	
Nuclear	40 %
Joint	60 %
Birth Order	
Eldest	29 %
Middle	46 %
Youngest	22 %
Only Child	3 %



Area of Residence	
Urban	92 %
Rural	8 %
Education	
Matric	6 %
Intermediate	24 %
Bachelor	62 %
Master	6 %
PhD	1 %
Age (years)	-
Monthly Income (PKR)	-
Years of Experience	-

Note. For *gender*: 1 = Male, 2 = Female, 3 = Other. For *education level*: 1 = Matriculation, 2 = Intermediate, 3 = Bachelor's, 4 = Master's, 5 = MPhil/PhD, For *business sector*: 1 = Retail, 2 = Services, 3 = Manufacturing, 4 = Agriculture, 5 = Technology, 6 = Other. For *business type*: 1 = Sole Proprietorship, 2 = Partnership, 3 = Private Limited Company, 4 = Family Business, 5 = Other. For *marital status*: 1 = Single, 2 = Married, 3 = Divorced, 4 = Widowed.

Economic Instability. Economic instability is the changes, and the lack of certainty of economic indicators like inflation, currency devaluation and erratic economic policies. The Perceived Economic Scarcity Scale (PESS) was used to measure it in this research (Kessler et al., 2002).

Psychological Distress. The emotional pain, as a result of feelings of anxiety, depression, and hopelessness, is referred to as psychological distress. It was assessed with the help of the Kessler Psychological Distress Scale (K10) (Smith et al., 2008).

Resilience. Resilience can be defined as the capacity of a person to adjust and overcome the hardships and be economically and psychologically balanced despite the financial and other difficulties. It was assessed with the help of the Brief Resilience Scale (BRS) (Shafir, 2012).

Perceived Economic Scarcity Scale (PESS). PESS is a scale that is created to evaluate how individuals perceive economic hardship, emotional suffering that is caused by financial issues, and their uncertainty about their financial security in the future. The scale quantifies the subjective cost of economic scarcity, such as concerns of financial well-being and perceived inadequacy of resources to sustain well-being. It has also shown good psychometric characteristics with internal consistency reliability of 87 to 95 meaning that its reliability is high in a wide sample. Factor analyses have also been used to provide construct validity of the PESS and ensure that the items measure what they are intended to measure namely the underlying construct of economic scarcity. This scale is extensively applied in studies that investigate the psychological effects of financial instability and especially in those studies that assess the connection between the economic stressor and the mental health outcome.

Kessler Psychological Distress Scale (K10). Kessler Psychological Distress Scale (K10) is a self-report scale, which has 10 items, and its aim is to measure non-specific psychological distress, such as a feeling of hopelessness, anxiety symptoms and depression symptoms during the last four weeks. The respondents will be asked to provide their rating of each item by the 5 point Likert scale, with 1 (none of the time) to 5 (all of the time). K10 has shown good psychometric qualities, its reliability coefficients lie in the range of $\alpha = .87$ to $.94$,



which is great internal consistency. Convergent validity in the scale is also high, with a great correlation with other already validated measures of mental health and distress. It is very common in clinical and research studies to be used as a screening tool to assess psychological distress as well as investigate the nature of the association between stressors and mental health outcomes. An increase in scores implies an increase in psychological distress.

Brief Resilience Scale (BRS). The Brief Resilience Scale (BRS) is a self-administered questionnaire comprising of 6 items that assess the capacity of an individual to bounce back after stress, misery, or other stressful circumstances and stay psychologically healthy. The BRS understands resilience as an ongoing process of bouncing back as opposed to a trait. Items are rated by the respondents on a 5 Likert scale (strongly disagree, strongly agree). The BRS has shown high internal consistency, with coefficients of reliability of between $\alpha = .80$ and $.91$ and predictive validity, which is its capacity to predict outcomes on coping and well-being. The scale is especially applicable in studies that look at the protective nature of resilience in the alleviation of the adverse impact of stressors like financial instability or psychological distress. The increased the scores on the BRS, the stronger the person and the higher the ability to cope with adversity.

Procedure

Before data were collected, the authors of the scales had been contacted in request of permission to use their scales and the researcher presented the authority letter of his institution to the manufacturing units to have formal permission. All the participants were informed of the aims of the research and guaranteed of the confidentiality and anonymity of their answers. Each participant was informed and then gave an informed consent to begin the survey. A demographic sheet was given to the participants after which the questionnaires (PESS, K10, and BRS) were administered and the participants were asked to answer truthfully. Each participant took about 15-20 minutes to complete the process. After the completion, the participants were rewarded with their participation.

Ethical considerations

The ethical considerations are following:

- Informed consent was taken from all participants.
- Participation was voluntary, and participants had the right to withdraw at any point.
- Anonymity and confidentiality of data were strictly maintained.
- The data collected was used exclusively for academic and research purposes.

Results

The scientific analysis of the data were used in SPSS in which descriptive statistics of all demographic and study variables were initially calculated. The scales were determined to be reliable using Cronbachs alpha to make sure every scale that was used in measuring perceived economic instability, psychological distress, and resilience. Correlation analysis and reliability analysis were used, to analyze the relationships between the study variables. Regression analyses were used to gain more insight into how change in one variable forecasted the occurrence of change in another. Such analyses contributed to establishing whether the perceived economic unstable condition and psychological distress had a major role in contributing to differences in resilience across entrepreneurs. All findings from the descriptive, correlational, and regression analyses are presented in the following tables.

The descriptive statistics and Cronbach's alpha are shown in Table 2.



Table 2

Descriptive Statistics of Study Variables (N=100)

Variable	Items	α	M	SD	Range
Economic Instability	18	.85	48.64	10.59	18-70
Resilience	6	.78	16.14	4.20	8-28
Psychological Distress	10	.82	21.10	6.11	10-36

Note. M=Mean, SD=Standard Deviation

Range, mean, standard deviation, and internal consistency for all scales were calculated as shown in Table 2. Cronbach's alpha values for the scales indicated good to high internal consistency, with economic instability showing the strongest reliability, followed by psychological distress and resilience. All reliability coefficients exceeded the acceptable threshold of 0.6, as recommended (Robert, 2004).

It was hypothesized that there would be significant relationships among economic instability, psychological distress, and resilience in entrepreneurs.

Intercorrelations among demographic and study variables are shown in Table 3.

Table 3

Correlation demographic with study variable (N=100)

Variables	2	3	4	5	6	7
1. Age	.08	.81**	.31**	-.01	.03	-.06
2. Monthly Income	-	-.02	.08	.10	-.16	-.04
3. Years of Experience		-	.17	.16	.21*	-.12
4. Starting Business Age			-	.10	.09	.33**
5. Economic Instability				-	.33**	-.17
6. Psychological Distress					-	.16
7. Resilience						-

Note. * $p < .05$, ** $p < .01$, *** $p < .001$.

Table 3 showed that years of experience and starts business age were positively correlated with resilience. Economic instability had a positive correlation with psychological distress and a negative correlation with resilience. Hence hypothesis was partially approved.

A multiple regression analysis was conducted to examine whether economic instability, psychological distress and resilience predicts in entrepreneurs. The results are shown in Table 4.

Table 4

Estimates of the Direct Effect of Economic Instability and Psychological Distress on Resilience (N = 100)

Resilience				
Variable	B	β	SE	R ²
Economic Instability	-0.09*	-0.23	0.04	.05
Psychological Distress	0.15*	0.21	0.07	0.18

Note. $p < .05$; B = Unstandardized Regression Coefficient; β = Standardized Regression Coefficient; SE = Standard Error.

Table 4 shows that economic Instability negatively predicted resilience, whereas psychological distress positively predicted resilience.

Additional analysis independent samples t-test was run to compare demographic variables on study are presented in Table 5.

**Table 5***Mean Comparison between Gender for Economic Instability, Resilience, and Psychological Distress (N=100)*

Study Variables	Men (n=87)		Women (n=13)		t (df)	p	Cohen's d
	M	SD	M	SD			
Economic Instability	47.83	55.09	10.66	7.61	-2.18 (96)	.03*	-.69
Psychological Distress	20.60	24.38	6.08	5.40	-2.11 (98)	.03*	-.62
Resilience	16.25	15.38	4.33	3.20	.69 (98)	.49	.20

Note. *p < .05.

Table 5 showed that there were significant gender differences in economic instability and psychological distress. Men reported higher levels of economic instability and psychological distress compared to females.

Discussion

The aim of the current research was to examine the intricate and multidimensional interrelationships between instability in the Pakistan economy, psychological distress, and resilience in business persons. The results of the present research work can interestingly add to the increasing body of research on the entrepreneurial well-being by showing that economic turbulence may have a huge impact on development of psychological reactions as well as resilience-related implications. In line with the existing literature, the current findings demonstrate that the entrepreneurial success and psychological wellness may not be assessed separately of the overall economic environment. Rather, the psychological outcomes of an entrepreneur are a result of an interactive process between personal characteristics, structural constraints, environmental pressures and resources of coping. Thus, the research contributes to the current knowledge by demonstrating empirically the impact of financial instability on mental health and resiliency when taking place in a developing nation where cultural, economic, and social support systems are not similar to those encountered in the West.

The first hypothesis stated that economic instability would be positively associated with psychological distress and negatively associated with resilience. The correlation results supported this hypothesis, showing that entrepreneurs who perceived themselves as economically unstable experienced higher psychological distress and lower levels of resilience. This is consistent with a substantial body of research identifying financial uncertainty as a strong predictor of mental health problems. Stephan et al. (2020), for example, argued that uncertainty in revenue, unpredictable cash flows, and unstable markets significantly increase emotional exhaustion and anxiety among entrepreneurs across both developed and developing economies. Similarly, Hatak and Zhou (2021) found that economic threats create a cognitive load that disrupts emotional regulation, making entrepreneurs more vulnerable to distress. Research during the COVID-19 economic crisis further strengthens this argument: Fairlie (2020) and Kuckertz et al. (2020) reported that small business owners worldwide experienced heightened levels of depression and stress due to sudden income loss and market shutdowns.



In Pakistan, studies by Jamil and Farooq (2022) found that persistent inflation, high tax burdens, and unstable government policies amplify psychological strain among entrepreneurs, limiting their emotional and cognitive resources to cope.

The negative association found between economic instability and resilience also aligns with a growing research trend showing that chronic financial threats erode coping capacities. Zahra and Khalid (2021) reported that economic adversity diminishes psychological resources by increasing feelings of hopelessness, insecurity, and helplessness. Torres et al. (2021) similarly documented that prolonged financial stress reduces an entrepreneur's ability to remain optimistic, flexible, and persistent. In Latin American contexts, where economic instability is common, Torres and Gutierrez (2020) found that resilience declines as financial strain increases, largely because economic pressure demands constant cognitive and emotional energy that undermines long-term adaptive functioning. Studies from India (Sharma & Dave, 2021) showed that business owners facing unstable market conditions displayed low persistence and decreased tolerance for setbacks, further validating the present findings. International research conducted by Li and Wang (2022) confirmed that economic instability disrupts entrepreneurs' psychological capital, particularly self-efficacy and hope, leading to reduced resilience. Collectively, these studies support the first hypothesis and are consistent with the current study's finding that financial insecurity not only increases distress but also weakens psychological resilience.

The second hypothesis predicted that economic instability would positively predict resilience. Contrary to expectation, the regression analysis revealed that economic instability negatively predicted resilience, meaning that higher economic instability was associated with lower resilience levels. The hypothesis therefore was not supported. This unexpected finding highlights the complex nature of resilience, which is influenced by internal resources, environmental conditions, and contextual realities. While some theoretical models argue that adversity can strengthen resilience, empirical evidence shows that when adversity becomes chronic and overwhelming as is often the case in economically unstable contexts it can hinder rather than enhance adaptive capacity. The current result is consistent with the vulnerability–stress model, which suggests that prolonged exposure to stress diminishes psychological reserves, making individuals less capable of coping effectively (Ingram & Luxton, 2005).

Several studies reinforce this interpretation. Raza and Khan (2020) found that Pakistani entrepreneurs dealing with sustained financial instability exhibited lower resilience due to emotional fatigue and burnout. Shepherd and Patzelt (2018) argued that resilience tends to diminish when entrepreneurs face repeated uncontrollable financial failures because chronic stress impairs cognitive judgment and emotional flexibility. International findings by Melkonian and Picq (2022) further demonstrated that the unpredictable nature of economic environments reduces an individual's ability to maintain optimism and adaptability. Research by Newman et al. (2022) confirmed that economic threats negatively influence psychological capital, leading to reduced problem-solving abilities and perseverance. The current results also align with studies conducted in South Asia, where economic instability is more prevalent. For instance, Singh and Garg (2021) found that Indian entrepreneurs facing economic volatility experienced weakened resilience due to persistent fear of business closure. Likewise, Antunes and Franco (2022) reported that small business owners in Brazil experienced declining resilience as economic pressure increased, largely due to the cumulative burden of stress. Thus, the finding that economic instability negatively predicted resilience is consistent with contemporary empirical evidence and suggests that entrepreneurs may require strong



institutional and social support systems to sustain resilience in economically volatile environments.

The demographic findings also offer meaningful insights into entrepreneurial psychology. The positive association between years of experience and resilience suggests that resilience increases as entrepreneurs gain more exposure to business challenges over time. This aligns with theories of experiential learning, which propose that individuals develop stronger coping capacities through repeated engagement with demanding situations (Kolb, 1984). Bullough and Renko (2013) similarly found that entrepreneurs with more years of experience tend to display higher resilience due to accumulated learning and a greater ability to navigate uncertainty. The finding that starting business age was positively associated with resilience suggests that individuals who begin entrepreneurial activities later possess better emotional maturity and decision-making skills. Studies by Rosado-Cubero et al. (2021) confirm that older entrepreneurs may be better equipped to handle stress due to greater life experience and more developed emotional regulation.

Gender differences also emerged in the present study. Men reported higher levels of economic instability and psychological distress compared to women. This pattern is consistent with research demonstrating that male entrepreneurs often serve as primary financial providers in Pakistani households, leading to heightened financial pressure and emotional burden (Khan & Kamran, 2020). Additionally, societal expectations regarding masculinity, economic success, and responsibility may contribute to increased distress among men (Aslam & Yaseen, 2021). The finding that women experienced less distress may reflect stronger reliance on social support networks, as Pakistani women often maintain deeper relational ties within families, which serve as protective factors against emotional strain (Saeed et al., 2020). The finding that resilience did not differ significantly by gender aligns with global evidence indicating that resilience is not inherently gendered but is shaped more by environmental, psychological, and social factors (Pelletier et al., 2020).

Another demographic finding revealed that participants from nuclear families experienced higher economic instability compared to those from joint families. This result reflects the socio-cultural dynamics of South Asian societies, where joint families often provide shared financial resources, collective decision-making, and emotional support that buffer economic stress (Saeed & Zameer, 2021). Research by Qamar and Ahmad (2020) also showed that entrepreneurs from joint families in Pakistan experience greater financial stability because economic burdens are distributed among multiple earners. This suggests that family structure plays a substantial role in moderating the emotional and financial experiences of entrepreneurs.

Together, these findings highlight the importance of understanding entrepreneurial well-being through a socio-economic and cultural lens, particularly in developing countries where institutional resources are limited. The results underscore the necessity of designing interventions that address not only psychological health but also structural economic challenges. Entrepreneurship development programs in Pakistan could integrate mental health components focusing on stress management, emotional regulation, and resilience-building. Governmental and private-sector institutions could also provide financial literacy training, mentorship, and accessible counseling services to support entrepreneurs facing economic uncertainty.

Conclusion

The current paper has investigated the correlation between economic instability, psychological distress and resilience among the business owners in Pakistan, a country with economic uncertainty, volatile market dynamics and weak institutional support. The analyses



on correlation revealed that the economic instability had a positive relationship with psychological distress and negative relationship with resilience, which implies that entrepreneur who perceive themselves to be more financially insecure also report experiencing greater emotional pressure and lower coping resources. These results indicate the strong relationship between the overall economic conditions (like inflation and inconsistent government policies, increasing taxes, and uncertain business conditions) and the entrepreneurial psychological well-being.

Additional regression analyses also determined that economic instability was a negative predictor of resilience, which results in support of the hypothesis that a long-term experience of financial instability harms adaptability, perseverance, and emotional strength. Interestingly, psychological distress was a positive predictor of resilience, which implies that distress can under some circumstances, provoke adaptive behaviors, problem-solving and motivation especially in collectivistic cultural environments where individuals can find social and family support.

The demographic analyses provided further information. More experienced entrepreneurs or those entrepreneurs who began their business later in life were more resilient, which shows that the experience of difficulties and emotional maturity increase coping skills. The differences between the genders were that the men had higher rates of economic insecurity and psychological distress, probably due to cultural and financial demands, and the entrepreneurs with nuclear family had more economic pressure than their joint family counterparts, highlighting the protective role of collectivistic families.

Implications of the study

The research is noteworthy both in theory and practice. In theory, it adds to the scanty literature on the psychological impact of economic instability on businesspeople, especially in emerging markets such as Pakistan. Exploring how economic instability, psychological distress, and resilience are related to each other, the study offers important information about the processes in which financial uncertainty affects mental health and adaptive abilities. It contributes to the academic knowledge on entrepreneurship by offering economic, psychological, and cultural insights into the process, by drawing attention to the subtle aspects of how the context forces entrepreneurial operations to operate.

Practically, the findings are significant to policy makers, mental health practitioners, and entrepreneurial support agencies. The understanding of this study can be used to create interventions and support programs that will lead to better resilience and coping mechanisms among entrepreneurs to better handle the uncertainty in the economy. Also, it is possible to conceive the importance of the demographic and contextual variables, including gender, experience, and family structure, and, based on them, implement particular efforts to assist various groups of entrepreneurs. The study is beneficial to the sustainable development of the business world and the economy since it addresses the psychological health of entrepreneurs, thus fostering personal mental health.

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