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## Conflict Intensity and Entrepreneurial Intentions:

### Evidence from Iraqi Regions

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## **Conflict Intensity and Entrepreneurial Intentions: Evidence from Iraqi Regions**

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### **Abstract**

This study examines the relationship between conflict events, conflict-related fatalities, and entrepreneurial intentions in Iraq, one of the most war-affected countries over the past four decades and a context largely overlooked in the entrepreneurship literature. By combining regional-level data from the Armed Conflict Location and Event Data (ACLED) with individual-level data from the World Values Survey (WVS), we find that, controlling for other factors, entrepreneurial intentions are significantly lower in regions experiencing higher levels of conflict and fatalities. This finding is robust across multiple estimation methods and model specifications. Furthermore, our results indicate that financially stable individuals show a sharper decline in entrepreneurial intentions in response to conflict compared to financially vulnerable individuals.

**Keywords:** Business formation, Conflicts, Entrepreneurial intentions, Iraq, War, WVS

**JEL classification codes:** D74, L26, O53

## 1. Introduction

This study examines the impact of conflict frequency and conflict-related fatalities<sup>1</sup> on entrepreneurial intentions among citizens across different regions of Iraq. Most existing research on entrepreneurial intentions in the Middle East and North Africa (MENA) regions focuses on non-conflict-affected countries (for a review, see Aljuwaiber, 2021). Our study contributes to the MENA entrepreneurship literature by focusing on Iraq, a conflict-affected and under-studied context. In addition to addressing the lack of research on entrepreneurship in Iraq, this study also responds to the broader gap in empirical research on how conflict shapes entrepreneurship in post-conflict settings. We address both gaps by investigating the link between conflicts and entrepreneurial intentions in Iraq.

Examining this topic in the context of Iraq is particularly important given the high youth unemployment rate- 32% in 2024, ranking 17th out of 182 countries (World Bank, 2025)- and the crucial role that new business formation can play in addressing this challenge. In addition, understanding the drivers of entrepreneurial intentions is especially relevant in conflict-affected settings, where entrepreneurship can generate income, foster social development, support community-level peacebuilding, and enhance social cohesion (e.g., Premaratna & Yoosuf, 2017; Kopren & Westlund, 2021).

Our study focuses on Iraq as the context of analysis for three main reasons. First, the country has experienced multiple wars and periods of civil unrest, particularly over the past four decades<sup>2</sup>. Second, new business registration in Iraq is strikingly low. The country's new business density, defined as the number of new registrations per 1,000 people aged 15–64,

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<sup>1</sup> Conflict is measured using data from the Armed Conflict Location and Event Data (ACLED), which records the number of conflict events and conflict-related fatalities at the regional level. Further details on the construction of these measures are provided in the Data section.

<sup>2</sup> For a detailed timeline of Iraq's wars and civil conflicts, see <https://www.bbc.com/news/world-middle-east-14546763>

stands at only 0.11. This is far below the averages observed in fragile and conflict-affected states (0.4), least developed countries (0.31), the Arab world (0.75), and globally (3.4) (World Bank, 2025). Third, entrepreneurship research in Iraq is extremely limited (e.g., Desai, 2011; Mohammadali & Abdulkhaliq, 2019) and our study also seeks to provide insights into the determinants of entrepreneurial intentions in the country. Entrepreneurial intentions provide an early indicator of potential market entry and investment behavior, capturing latent economic activity before formal business creation occurs. In fragile or conflict-affected contexts, analyzing these intentions helps identify how risk, resource constraints, and institutional quality influence entrepreneurial responses, offering insights into the dynamics of economic resilience and regional development.

Using a sample of more than 900 respondents from nine regions in Iraq, collected through the World Values Survey (WVS), and applying probit regression analysis, we find that the likelihood of intending to start a business is significantly lower in regions with higher conflict intensity, measured by both conflict events and conflict-related fatalities. Our empirical approach links two strands of research. First, it connects to studies showing that exposure to conflict shapes traits relevant for entrepreneurial behavior, including risk-taking, tolerance for uncertainty, and forward-looking judgment. Second, it builds on work that identifies these traits as important drivers of entrepreneurial intentions. By bringing these perspectives together (Zaleskiewicz et al., 2020; Xie, 2021), we derive expectations about how conflict may influence the decision to pursue entrepreneurship. Consistent with Bullough et al. (2014), our study also responds to calls for more evidence on entrepreneurial intentions in settings marked by violence and severe constraints.

The remainder of the paper is organized as follows. Section 2 outlines the theoretical link between conflict and entrepreneurial activity and reviews the relevant literature. Section 3

describes the data, variables, and estimation methods. Section 4 presents the results and reports robustness checks. Section 5 concludes with policy implications.

## **2. Conceptual Framework and Hypotheses Development**

### **2.1. Psychological and social determinants of entrepreneurship**

Given the inherent risks of entrepreneurship, scholars have explored various factors that shape how entrepreneurs make decisions under uncertainty. We focus here on three key drivers that are most relevant to our research question.

#### ***2.1.1. Entrepreneurial traits and risk-taking***

One of the most popular approaches that examine the determinants of risk-taking states that differences in the propensity to take risk are mostly driven by differences in people's attitudes toward risk. In particular, some individuals like risks more than others (Weber, 2001). In this context, a research strand – the so-called “trait approach” – argues that entrepreneurs possess some intrinsic features explaining their risky actions (Xie, 2021). Key among the latter features is the risk-taking attitude that distinguishes entrepreneurs from the rest (Gasse, 1982). Empirical work has examined the validity of this hypothesis and, although there is no consensus in the literature, many have concluded that entrepreneurs have a higher propensity to take risks/are more risk-takers than non-entrepreneurs (Chitimiea et al., 2020)<sup>3</sup>. For instance, Cramer et al. (2002) found that the entrepreneurs' attitude towards risk is an important factor in the conduct of entrepreneurial activity. The results of Ahunov and Yusupov (2017) suggest that people with higher tolerance for risk are more likely to be self-employed by choice than by necessity. Block et al. (2015) found that entrepreneurs motivated by innovation and creativity are more at risk than those mostly driven by necessity. The study of Caliendo et al.

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<sup>3</sup> Findings of meta-analyses that compare risk-attitudes among entrepreneurs and managers are inconclusive (Zaleskiewicz et al., 2020).

(2009) showed that there is a greater likelihood for individuals with lower risk aversion to become self-employed. More recently, Chanda and Unel (2021) demonstrated that the propensity to take risk increases the chances of being an entrepreneur.

In sum, there is some evidence supporting the view that entrepreneurs' endeavors might be owing to their peculiar attitude toward risk, namely a higher propensity to take risks.

### ***2.1.2. Networks and trust as drivers of entrepreneurship***

Networks refer to the extent to which individuals are socially connected, and the interconnection of institutions that would facilitate the initiation of new businesses and processes (Stam & van de Ven, 2021). Johannisson (1990, 1995) posits that networks are essential for the establishment, survival, and successful development of new ventures. Deep and dense networks would foster entrepreneurship by facilitating information circulation and easing an efficient allocation of factors of production (Malecki, 1997). Moreover, according to Lajqi and Krasniqi (2017), social network and social learning encourage the recognition and exploitation of entrepreneurial opportunities. Hence networks are a key attribute of a flourishing entrepreneurial activity (Feld, 2012).

Furthermore, well developed and established social networks are associated with greater levels of trust. Indeed, social networks provide the framework allowing repeated interactions among individuals and facilitating cooperative behavior which, ultimately, fuel trust (Granovetter, 1985; Coleman, 1988). Moreover, the more individuals consider that others are trustworthy, the more likely they are to take risks, notably with strangers (Guiso et al., 2006). In the same vein, through their "social identity model of risk", Cruwys et al. (2021) showed that vivid interactions within a social group consolidate trustworthiness among individuals and lower risk perception, which leads to more risky behavior. As shown earlier, entrepreneurial activity is inherently risky; thus, by strengthening trust and encouraging more risky conduct, networks would stimulate entrepreneurship.

In short, dense and highly connected social networks should help individuals to express their entrepreneurial skills and creativity, as they enable a better identification and exploitation of opportunities, and enhance trust.

### ***2.1.3. Affective drivers of entrepreneurial behavior***

There is a growing body of literature providing evidence of the predominant role of emotions in shaping how individuals perceive risk and act under uncertainty (Tipu, 2015; Zaleskiewicz et al., 2020; Muminovic & Efendic, 2023; Ugur & Doganay, 2024).

Various explanations were proposed to understand entrepreneurs' peculiar risk perception; for example, their focus mostly on the benefits of business scenarios rather than their threats, their generally optimistic interpretation of reality, and their misplaced sense of control and overconfidence (Zaleskiewicz et al., 2020). The latter are illustrations of a "positive bias" that seems to be a salient characteristic of the way entrepreneurs assess risk. Recent research suggests that such a bias is likely to result from emotional processes rather than exclusively rational thinking. Indeed, there is mounting evidence that emotions are a major determinant of entrepreneurial risk perception (Lerner & Keltner, 2001; Loewenstein et al., 2001; Gilad & Kliger, 2008; Fehr, 2009; Podoynitsyna et al., 2012; Ralph et al., 2018). Specifically, positive emotions tend to reduce the degree of the perceived risk, whereas unpleasant sentiments seem to be associated with an elevation of the degree of the latter risk. Unfavorable emotions can therefore trigger a more cautious attitude and a more conservative behavior, both of which can lead to opportunity rejection (Tipu, 2015). In the same vein, it was shown that emotions of fear are associated with a low risk-taking attitude (Lerner & Keltner, 2001).

Emotions, past experiences, and memories are intertwined. For instance, Moncada et al. (2015) highlighted the repercussions of experiences on memories and, consequently, on decision-making. Similarly, Wang and Poutziouris (2010) established that entrepreneurs'

affective response patterns vary with experience. Interestingly, past experiences seem to be particularly important when it comes to people's financial decisions (Malmendier & Nagel, 2011). In this regard, the "mental imagery" model developed by Zaleskiewicz et al. (2020) can be insightful to account for the choices made by entrepreneurs. Their model holds that when individuals are making a choice under uncertainty, they are guided by their visualization of the future outcomes of their decision. The latter visualization – mental imagery – is based on memories of past experiences and is emotionally charged. Zaleskiewicz et al. (2020) conclude that when the mental images associated with a choice to be made are positive – driven by pleasant memories and uplifting emotions – entrepreneurs tend to accept risky options.

In conclusion, research suggests that favorable memories and positive affect tend to shape optimistic expectations under uncertainty among entrepreneurs. This can explain their risky choices.

Having examined three key drivers of entrepreneurial activity, we now explore how the latter drivers are impacted by conflicts.

## **2.2. Conflicts and entrepreneurial activity**

### ***2.2.1. Conflicts and risk-taking***

The vast majority of the studies that have scrutinized the relationship between negative experiences/shocks and risk-taking have concluded that such experiences tend to make people more risk-averse<sup>4</sup>. Research conducted on Afghanistan revealed that conflicts render people more risk-averse through their recalling of fearful events (Callen et al., 2014; Michael et al., 2014). Similar findings were reported in other conflict-affected countries and regions. For example, Kim and Lee (2014) showed that people who witnessed the Korean War in their early years are more risk-averse than others. Likewise, an increase in the rate of casualties during

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<sup>4</sup> Some papers have, however, reported different findings; this is for instance the case of Ugur and Doganay (2024) who show that exposure to war is associated with higher risk-taking.

the Mexican war on drugs was found to be associated with more risk-aversion among the population (Brown et al., 2019). Further, the 2007/8 post-election crisis period in Kenya was associated with a significant increase in the proportion of subjects with extreme risk-aversion (Jakiela & Ozier, 2019). Analogously, Bellucci et al. (2020) found that exposure to World War II during childhood is related to more conservative financial risk-attitude. In the same vein, in their study of the impact of the Bosnia-Herzegovina conflict, Muminovic and Efendic (2023) showed that exposure to war is associated with risk-aversion. In addition, severe experiences, like losing a child or being physically attacked, are associated with lower likelihood of holding stocks (Buccioli & Zarri, 2015).

Remarkably, results suggest that the impact of the shock on the risk attitude is proportional to the severity of the adverse event. Chief Executive Officers who have experienced consequences of severe natural disasters had a more conservative way of leading firms than their counterparts who did not suffer from extreme natural disasters (Bernile et al., 2017). Along the same line, Muminovic and Efendic (2023) showed that people residing in the municipalities with the largest war fatalities expressed the greatest risk-aversion. The strand of research examining the relationship between experiences and memory can help explain the latter findings: adverse events that are easily accessible in the memory, as well as highly shocking and salient events are associated with increased risk aversion (Kusev et al., 2009).

### ***2.2.2. Conflicts and trust***

Most of the empirical literature examining the relationship between war and trust among populations of war-affected regions has highlighted the detrimental effect of conflicts on trust<sup>5</sup>. In their empirical analysis on Tajikistan, Cassar et al. (2013) demonstrated that war exposure can destroy local trust even a decade after the end of the conflict. In a similar line, in their

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<sup>5</sup> Some authors have, however, found that conflicts are associated with increased levels of trust. This is mostly explained by the finding that conflicts tend to increase in-groups trust at the expense of generalized trust (Becchetti et al., 2013; Ali et al., 2020).

examination of the 2002-2005 inter-ethnic conflict in Uganda, Rohner et al. (2013) highlighted a causal relationship between the conflict and the decline in generalized trust. Likewise, war was also found to undermine social trust in Kosovo (Kijewski and Freitag, 2016). The authors explain this finding by arguing that war embodies the enmity and unhelpfulness of others. Analogously, Conzo and Salustri (2019) showed that exposure to violence during the early years of life reduces trust and social engagement. Similar results were found when examining the crisis that occurred in 2007-2008 after the Kenyan elections: that period was accompanied with a significant drop in generalized trust, as the number of persons who believed that most people can be trusted was cut by half (Jakiela & Ozier, 2019). A corresponding conclusion was reached when studying Pakistan: the exposure to conflict significantly reduced out-of-group trust (Ali et al., 2020). More recently, Muminovic and Efendic (2023) demonstrated that war is associated with higher distrust in people. Interestingly, their findings also suggest that regions where conflicts were the most pronounced were associated with the highest degree of distrust. This result echoes the conclusions of Rohner et al. (2013): the most significant drop in trust was noted in regions with the largest number of fatalities. Another remarkable finding of the study of Rohner et al. (2013) is the following: the more substantial decline in generalized trust was registered in the most ethnically diverse regions.

### ***2.2.3. Conflicts and emotions***

Wars are notoriously known to have profound and, often, indelible marks on the human psyche and affect. Indeed, populations are potentially subject to many traumatic events that proliferate during conflicts: assassinations, torture, kidnapping, and political terror, to name a few (Steel et al., 2009). The magnitude of such events is usually associated with an emergence/resurgence of mental disorders among conflict-affected populations. Several studies have pinpointed the predominance of Post-Traumatic Stress Disorder (PTSD) and depression across war-impacted populations (Steel et al., 2009; El-Khoury, 2019; Charlson et al., 2019; Ng et al., 2020). In their

meta-analysis of surveys of populations of conflict-impacted areas and refugees, Steel et al. (2009) reported the prevalence of PTSD and depression owing mostly to torture and cumulative exposure to traumatic events. The occurrence of PTSD and depression was also a salient feature of the surveyed persons residing in regions of southern Lebanon, after the 2006 war with Israel (El-Khoury, 2019). Similarly, in their review of studies examining PTSD in sub-Saharan Africa, Ng et al. (2020) found that conflict-exposed regions had a PTSD prevalence rate that is nearly 4 times as high as the one in conflict-unexposed regions. In addition to PTSD and depression, a wide array of mental disorders affects populations of conflict-exposed regions covering anxiety, bipolar disorder and schizophrenia (Charlson et al., 2019), as well as fear, self-imposed social withdrawal, and re-emergence of intrusive memories (Chaparro et al., 2022; Kerbage et al., 2024).

The above studies point to the long-lasting emotional and psychological burden that wars inflict on conflict-affected populations. As seen earlier, emotions and memories are central to the way individuals appraise risk and make choices under uncertainty.

### **2.3. Hypotheses**

Conflicts can affect entrepreneurship through multiple channels, including risk attitudes, social trust and networks, and emotional responses. Prior research shows that wars tend to increase risk-aversion, reduce trust and social cohesion, and induce negative emotional experiences, all of which may discourage entrepreneurial activity. Based on this, we formulate the following hypothesis:

**H1:** Entrepreneurial intentions among individuals are significantly lower in regions with higher levels of conflict and conflict-related fatalities.

### 3. Data and Methodology

#### *Data*

We combine two datasets for this study. Data on the actual number of conflicts and conflict-related fatalities are sourced from Armed Conflict Location and Event Data (ACLED, 2025) while regional-level measures of entrepreneurial intentions are drawn from the most recent wave of the WVS<sup>6</sup> conducted in Iraq in June 2018 (Haerper et al., 2022). We use this wave of WVS because it is the only one that contains a specific question on business start-up intentions.

The International Institute for Administration and Social Survey (IIACSS) implemented the seventh wave of the WVS in Iraq. The target population comprised residents aged 18 and above, with a sample size of 1,200 adults. The survey employed a nationally representative area probability sample using a design that incorporated stratification and clustering. Interviews were conducted face-to-face in respondents' homes. For analytical purposes, the design ensured valid representation across Iraq's four main geographic regions: Baghdad, the western governorates, the southern governorates, and the Kurdish governorates in the north. These divisions facilitated comparisons across key ethnic and religious groups based on representative samples in each region. Data were collected from the following governorates: Al Anbar, Al Basrah, Erbil (Hewlêr), Babil, Baghdad, Dhi Qar, Kirkuk, Ninawa, and Sulaymaniyah (Slemani), located in the west, southeast, north, center, center, south, northeast, northwest, and northeast, respectively<sup>7</sup>.

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<sup>6</sup> It should be noted that the WVS is considered highly reliable and has been extensively utilized by researchers in the social sciences (e.g., Gholipour et al., 2022; Farzanegan & Gholipour, 2024).

<sup>7</sup> For details on the sample design, see <https://www.worldvaluessurvey.org/WVSDocumentationWV7.jsp> (WVS Wave 7 (2017-2022), Iraq 2018).

### ***Dependent variable***

The dependent variable is entrepreneurial intentions. Understanding business venture formation intentions is crucial, as intentions are the most reliable predictor of planned behavior, particularly in initiating an actual business (Krueger et al., 2000; Neneh and Dzomonda, 2024).

In Wave 7 of the WVS (Middle East Regional Module), respondents were asked: “*Do you own a business or have taken tangible steps to start a business during the past twelve months (either by yourself or with others)?*” The response options were: (1) I already have an established business, (2) I have taken steps to establish a new business and (3) I have not taken any steps to establish a business. We construct a binary variable coded as 1 if the respondent selected option 2 (taken steps to start a business) and 0 if they selected options 1 or 3. In our final estimation sample (n = 937), 177 respondents (18.89%) reported having taken steps to establish a new business, while 760 (81.11%) indicated either that they already own an established business (164) or have not taken any steps toward starting a business (596).

As a robustness check, we exclude respondents with an established business (option 1), focusing only on those who either intend to start a business or do not. Table 1 presents a detailed overview of the variables used in the analysis, along with their descriptive statistics.

### ***Explanatory variable of interest***

The main explanatory variable is the actual number of conflicts and conflict-related fatalities in Iraqi regions. Data on these variables are obtained from ACLED (2025). ACLED is an independent, impartial global monitor that collects, analyses, and maps data on conflict and protest. ACLED records individual events of political violence and protest based on systematic monitoring of local and international media, NGO reports, and other public sources. Each event is coded by date, location, actors, event type, and reported fatalities, with conservative rules

applied when reports provide uncertain numbers. These coding standards allow us to use consistent, comparable counts of conflict events and associated fatalities across Iraqi regions.

We calculate the total number of conflicts and conflicts-related fatalities for each region over the six months (January to June 2018) preceding the WVS survey in June 2018. The average number of conflicts was approximately 144, ranging from a minimum of 19 to a maximum of 298. The average number of conflict-related fatalities was about 209, with values ranging from 1 to 560. As robustness checks, we also compute these totals for the one-month and three-month periods prior to the survey.

### ***Control variables***

The entrepreneurship literature identifies several determinants of entrepreneurial intentions, ranging from individuals' socio-economic characteristics, behavioral traits, organizational factors, and cultural values to broader macroeconomic and political conditions (e.g., Davidsson, 1995; Rajjman, 2001; Liñán & Chen, 2009; Lee et al., 2011; Gholipour et al., 2010; Krueger et al., 2000; Feola et al., 2019; Fretschner & Weber, 2013; Douglas et al., 2025; Dheer, & Lenartowicz, 2018)<sup>8</sup>. Based on the availability of relevant factors in the WVS, we include controls for other potential covariates in our probit regressions including respondents' gender, age, marital status, income level, education level, perception of corruption, religiosity, perception of the social status of entrepreneurs, father's employment status, autonomy index, perceived freedom of choice (control over life), trust in others, and the size of the town where they reside.

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<sup>8</sup> For a comprehensive review of the determinants of entrepreneurial intentions, see Schlaegel and Koenig (2014) and Fayolle and Liñán (2014).

**Table 1.** Variable description and descriptive statistics (before transformation)

Variable	Description	Frequency (%)	Mean	Std. Dev.
Intention to start a new business	(2) I have taken steps to establish a new business: 1	177 (18.89 %)		
	(1) I already have an established business & (3) I have not taken any steps to establish a business: 0	760 (81.11%)		
	We construct a binary variable coded as 1 if the respondent selected option 2 (taken steps to start a business) and 0 if they selected options 1 or 3.			
Conflict events, January-June 2018	Total number of conflicts over the six months (January to June 2018) in each region		144.08	93.89
Conflict fatalities, January-June 2018	Total number of fatalities over the six months (January to June 2018) in each region		209.12	201.31
Gender	Respondents' gender			
	0 (Female)	438 (46.74%)		
	1 (Male)	499 (53.26%)		
Age	Respondents' age		37.02	13.57
Marital status	1 (Married)	865 (72.08%)		
	0 (Other)	335 (27.92%)		
Income	Perception of household income categories: The WVS asked respondents to indicate, on a scale from 1 (lowest income group) to 10 (highest income group), the category that best represents their household. Income includes wages, salaries, pensions, and other sources of income.  For analysis, we grouped responses into three categories: Low-income (1–3), Middle-income (4–7), and High-income (8–10).	Low-income: 279 (29.78%)		
		Middle-income: 581 (62.01%)		
		High-income: 77 (8.22%)		
Education	Highest educational level			
	Responses were grouped into three categories:			
	Early Education: 0, 1, 2 (Early childhood education, Primary education, Lower secondary education)	Early Education: 499 (53.26%)		
	Secondary Education: 3, 4 (Upper secondary education, post-secondary non-tertiary education)	Secondary Education: 202 (21.56%)		

	Tertiary Education: 5, 6, 7, 8 (Short-cycle tertiary education, Bachelor or equivalent, Master or equivalent, Doctoral or equivalent)	Tertiary Education: 236 (25.19%)		
Corruption perception	In the survey, respondents were asked to express their views on corruption using a scale from 1 (“there is no corruption in my country”) to 10 (“there is abundant corruption in my country”).		8.73	1.74
Religiosity	The survey included a question: “Independently of whether you go to church or not, would you say you are [ ]?” with three response options. For analysis, we coded “a religious person” as 1 and both “not a religious person” and “an atheist” as 0.	1: 708 (75.56%) 0: 229 (24.44%)		
Society attitude toward entrepreneurs	The survey included the question: “In general, do you have a favorable or an unfavorable opinion of those who start and run their own businesses?” Respondents could choose from four options: (1) Very favorable, (2) Fairly favorable, (3) Fairly unfavorable, and (4) Very unfavorable.  For ease of interpretation in regression analyses, we recoded the variable so that 1 corresponds to “Very unfavorable” and 4 to “Very favorable.”		3.50	0.71
Father’s employment	We created a dummy variable that takes the value 1 if the respondent’s father was employed when the respondent was 14 years old, and 0 otherwise.	0: 258 (27.53%) 1: 679 (72.47%)		
Autonomy index	In WVS 7, the autonomy index measures individuals’ preference for independence, determination, and perseverance. It ranges from -2 (Obedience/Religious Faith) to +2 (Determination, perseverance/Independence), with higher values indicating a stronger preference for these traits <sup>9</sup> .		-.833	1.010
Control over life	The question in the WVS is phrased as follows: “Some people feel they have completely free choice and control over their lives, while other people feel that what they do has no real effect on what happens to them. Please use this scale where 1 means “none at all” and 10 means “a great deal” to indicate how much freedom of choice and control you feel you have over the way your life turns out.”		6.838	2.288

<sup>9</sup> For details on the index methodology, see <https://www.worldvaluessurvey.org/WVSContents.jsp?CMSID=autonomous&CMSID=autonomous>

Trust other people	The question in the WVS is phrased as follows: “Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?”	
	Need to be very careful: 0	0: 818 (87.30%)
	Most people can be trusted: 1	1: 119 (12.70%)
Settlement size	Under 5,000	42 (4.48%)
	5,000-20,000	186 (19.85%)
	20,000-100,000	25 (2.67%)
	100,000-500,000	141 (15.05%)
	Over 500,000	543 (57.95%)

Note: The reported descriptive statistics are based on the sample used in the first estimation (Column 1) of Table 2, which includes 937 observations.

### ***Estimation method***

Since the dependent variable in our study (individual’s intention to start a business), is binary, taking values of 0 and 1, we apply Probit regression with robust standard error to examine the links between the explanatory variables and entrepreneurial intention. A Probit regression models the probability of a binary outcome using the cumulative distribution function of the standard normal distribution<sup>10</sup>. We specify the Probit model as follows:

$$\text{Prob}(\text{BUSINESS}_i=1 \mid X_i) = \Phi(\beta_0 + \beta_l \text{WAR} + \dots + \beta_k X_k) \quad (1)$$

$\Phi(\cdot)$  = standard normal cumulative distribution function, BUSINESS is a binary dependent variable (0 or 1), WAR represents various measures of conflicts and fatalities, X represent the control variables,  $\beta_0, \beta_1, \dots, \beta_k$  are coefficients to estimate<sup>11</sup>. After estimating Probit models, we compute the average marginal effects for all variables. These represent the average change

<sup>10</sup> We also conduct robustness checks using logit regression with robust standard errors and ordinary least square (OLS) regression with robust standard errors. In both cases, the negative and significant relationship between conflict events, conflict-related fatalities, and entrepreneurial intention remains consistent.

<sup>11</sup> It should be noted that our estimations do not exhibit multicollinearity issues, as the variance inflation factors (VIFs) for all explanatory variables are below 6.5.

in the probability of the outcome for a one-unit increase in a predictor variable, *holding others constant*.

It is important to note that we did not apply Instrumental Variable (IV) regression to address potential endogeneity of the conflict-related variables. We argue that conflict events and conflict-related fatalities are exogenous, as it is implausible to assume that changes in entrepreneurial intentions could influence the number of conflict events or fatalities. This reasoning reduces concerns about endogeneity arising from a bidirectional relationship. Furthermore, we include several control variables in the model to minimize the risk of omitted variable bias. Nevertheless, as a robustness check, we apply a Two-Stage Least Squares (2SLS) regression and conduct the Durbin-Wu-Hausman test. The test yields a  $p$ -value greater than 0.05, indicating that conflict-related variables can be considered exogenous.

## **4. Results**

### ***Main analysis***

Table 2 reports the estimation results using three alternative measures of the number of conflict events across Iraqi regions as the main explanatory variables. Columns 1–3 include the total number of conflict events during three periods: January–June 2018, April–June 2018, and June 2018, respectively. Across three different measures of conflict events, we find that higher conflict intensity (measured by conflict events) significantly reduces individuals' entrepreneurial intention in Iraqi regions. More specifically, on average, a one-unit increase in conflicts events is associated with a 3-percentage point decrease in the probability of individuals' intention to start a business, *holding other variables constant* (Column 1 of Table 2). This supports our hypothesis that entrepreneurial intention is lower in areas with more conflicts. This finding is in line with literature suggesting that conflict creates a 'fear factor' that

heightens risk aversion (e.g., Muminovic and Efendic, 2023) and diminishes the social trust required for entrepreneurial activities (Rohner et al., 2013; Ali et al., 2020).

Regarding the control variables, our results show that male respondents exhibit higher entrepreneurial intentions than female respondents. The intention to start a business is significantly lower among individuals with only Early education (early childhood, primary, or lower secondary education) compared to those with higher levels of education. We also find that greater religiosity is negatively associated with entrepreneurial intentions, whereas a higher autonomy index is positively related to entrepreneurial intentions. On the other hand, although most coefficients show the expected signs, the remaining explanatory variables do not exhibit statistically significant relationships with individuals' intention to start a business (Columns 1-3 of Table 2).

The above results on the determinants of entrepreneurial intentions in Iraq, based on a recent and large sample of respondents from across the Iraqi regions, provide new insights into the literature on entrepreneurship in conflict-affected areas.

**Table 2.** Results of Probit regressions: Conflict events

Dependent variable: Intention to start a business			
<i>Explanatory variables</i>	(1)	(2)	(3)
Log (Conflict events, January-June 2018)	-.035** (.015)		
Log (Conflict events, April-June 2018)		-.029** (.013)	
Log (Conflict events, June 2018)			-.031** (.013)
Male	.044* (.026)	.045* (.026)	.045* (.026)
Log (Age)	-.048 (.037)	-.048 (.037)	-.048 (.037)
Married	.033 (.030)	.033 (.029)	.032 (.029)
Income			

Middle-income	-0.021 (.028)	-0.022 (.028)	-0.022 (.028)
High-income	-0.014 (.051)	-0.015 (.050)	-0.013 (.051)
Education			
Secondary education	.066** (.033)	.067** (.033)	.067** (.033)
Tertiary education	.052* (.031)	.054* (.031)	.055* (.031)
Corruption perception	-.006 (.006)	-.006 (.006)	-.006 (.006)
Religiosity	-.098*** (.028)	-.100*** (.028)	-.099*** (.028)
Society attitude toward entrepreneurs	.003 (.018)	.003 (.018)	.004 (.018)
Father's employment	.005 (.029)	.007 (.029)	.008 (.029)
Autonomy index	.035*** (.012)	.035*** (.012)	.036*** (.012)
Control over life	.003 (.005)	.003 (.005)	.003 (.005)
Trust other people	-.007 (.036)	-.007 (.036)	-.008 (.036)
Settlement size			
5,000-20,000	-.065 (.069)	-.071 (.070)	-.077 (.071)
20,000-100,000	-.097 (.093)	-.099 (.095)	-.102 (.096)
100,000-500,000	-.092 (.070)	-.090 (.071)	-.091 (.072)
Over 500,000	-.0008 (.067)	-.009 (.067)	-.0174 (.068)
Number of observations	937	937	937
Wald chi2	63.34	62.67	62.98
Prob > chi2	0.000	0.000	0.000

Notes: Average marginal coefficients are reported. Robust standard errors are in parentheses. \*, \*\* and \*\*\* are significant at 10%, 5%, and 1% levels, respectively.

Next, we re-estimate the models using an alternative measure of conflict-number of fatalities-across three periods: January–June 2018, April–June 2018, and June 2018. The results are reported in Table 3. Consistent with our findings in Table 2, individuals’ intention to start a business is significantly lower in regions with a higher number of conflict-related fatalities (Columns 1-3 of Table 3). The coefficients for the conflict-related fatalities variables are negative and statistically significant at the 5% level. On average, a one-unit increase in number of conflict-related fatalities is associated with a 1.2 percentage point decrease in the probability of individuals’ intention to start a business (Column 1 of Table 3). Interestingly, the coefficient for conflict-related fatalities is smaller than that for conflict events, suggesting that individuals’ intention to start a business in Iraq is more sensitive to the frequency of conflicts than to the number of fatalities.

**Table 3.** Results of Probit regression: Conflict-related fatalities

Dependent variable: Intention to start a business			
<i>Explanatory variables</i>	(1)	(2)	(3)
Log (Conflict fatalities, January-June 2018)	-.012** (.005)		
Log (Conflict fatalities, April-June 2018)		-.012** (.005)	
Log (Conflict fatalities, June 2018)			-.015** (.007)
Male	.043* (.026)	.043* (.026)	.043* (.026)
Log (Age)	-.051 (.037)	-.050 (.037)	-.050 (.037)
Married	.035 (.029)	.035 (.029)	.035 (.029)
Income			
Middle-income	-.019 (.028)	-.019 (.028)	-.019 (.028)
High-income	-.013 (.050)	-.015 (.050)	-.015 (.050)
Education			

Secondary education	.066** (.032)	.066** (.032)	.068** (.032)
Tertiary education	.055* (.031)	.056* (.031)	.058* (.031)
Corruption perception	-.004 (.006)	-.004 (.006)	-.004 (.006)
Religiosity	-.092*** (.028)	-.094*** (.028)	-.091*** (.028)
Society attitude toward entrepreneurs	.002 (.018)	.002 (.018)	.001 (.018)
Father's employment	.011 (.028)	.012 (.028)	.013 (.028)
Autonomy index	.036*** (.012)	.036*** (.012)	.037*** (.012)
Control over life	.003 (.005)	.002 (.005)	.002 (.005)
Trust other people	-.012 (.036)	-.012 (.036)	-.012 (.036)
Settlement size			
5,000-20,000	-.071 (.071)	-.072 (.071)	-.070 (.071)
20,000-100,000	-.107 (.095)	-.107 (.095)	-.104 (.095)
100,000-500,000	-.094 (.072)	-.093 (.072)	-.096 (.072)
Over 500,000	-.016 (.068)	-.018 (.068)	-.012 (.068)
Number of observations	937	937	937
Wald chi2	63.90	62.75	62.55
Prob > chi2	0.000	0.000	0.000

Notes: Average marginal coefficients are reported. Robust standard errors are in parentheses. \*, \*\* and \*\*\* are significant at 10%, 5%, and 1% levels, respectively.

## Robustness checks

### *Excluding business owners*

As a first robustness check, we exclude respondents who already own a business from the sample and re-estimate the models presented in Tables 2 and 3. In other words, we retain only

those respondents who have either taken steps to establish a business or have not taken any steps toward doing so. Consequently, the number of observations decreases from 937 to 773. This adjustment addresses the concern that individuals who already own a business may be less inclined to start another one in an environment characterized by high political and economic uncertainty. The results of these estimations are shown in Panels A (conflict events) and B (conflict-related fatalities) of Table 4. Even after excluding potential outliers and accounting for smaller sample sizes, the coefficients for both conflict events and conflict-related fatalities remain negative and statistically significant across most specifications.

**Table 4.** Results of Probit regression: Excluding business owners

<b>Panel A. Conflict events</b>			
Dependent variable: Intention to start a business			
<i>Explanatory variables</i>	(1)	(2)	(3)
Log (Conflict events, January-June 2018)	-.029* (.017)		
Log (Conflict events, April-June 2018)		-.026* (.015)	
Log (Conflict events, June 2018)			-.030** (.015)
Control variables	Included	Included	Included
Number of observations	773	773	773
Wald chi2	74.20	73.90	74.54
Prob > chi2	0.000	0.000	0.000
<b>Panel B. Conflict-related fatalities</b>			
Log (Conflict fatalities, January-June 2018)	-.012** (.005)		
Log (Conflict fatalities, April-June 2018)		-.011* (.006)	
Log (Conflict fatalities, June 2018)			-.013 (.008)
Control variables	Included	Included	Included

Number of observations	773	773	773
Wald chi2	74.81	73.92	74.01
Prob > chi2	0.000	0.000	0.000

Notes: Average marginal coefficients are reported. Robust standard errors are in parentheses. \* and \*\* are significant at 10% and 5% levels, respectively.

### ***Necessity and opportunity entrepreneurship***

In countries affected by war, many individuals may be compelled to start businesses due to a lack of alternative employment opportunities (Wennekers et al., 2005). Their entrepreneurial intentions often differ from those motivated by the pursuit of new business opportunities (Bullough et al., 2014). We divide the full sample into two groups: (1) respondents who reported that, in the last 12 months, they and their families often or sometimes went without a cash income; and (2) respondents who reported that, in the last 12 months, they and their families rarely or never went without a cash income<sup>12</sup>.

We re-estimate the models presented in Tables 2 and 3 separately for each group. The results for the necessity group are shown in Panels A and B of Table 5. Panel A reports results where conflict events are the independent variable, while Panel B presents results where conflict-related fatalities serve as the independent variable. Across all six estimations, we find no significant relationship between conflict events, conflict-related fatalities, and the intention to start a business among the necessity group. This suggests that respondents in vulnerable circumstances are not particularly sensitive to number of conflicts and fatalities when deciding to start a business.

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<sup>12</sup> The WVS question states: ‘In the last 12 months, how often have you or your family gone without a cash income?’ Respondents can choose from the following options: Often, Sometimes, Rarely, and Never.

**Table 5.** Results of Probit regression: Necessity entrepreneurship

<b>Panel A. Conflict events</b>			
Dependent variable: Intention to start a business			
<i>Explanatory variables</i>	(1)	(2)	(3)
Log (Conflict events, January-June 2018)	-.011 (.022)		
Log (Conflict events, April-June 2018)		-.007 (.020)	
Log (Conflict events, June 2018)			-.008 (.021)
Control variables	Included	Included	Included
Number of observations	385	385	385
Wald chi2	39.45	39.04	39.10
Prob > chi2	0.002	0.002	0.002
<b>Panel B. Conflict-related fatalities</b>			
Log (Conflict fatalities, January-June 2018)	-.008 (.007)		
Log (Conflict fatalities, April-June 2018)		-.009 (.008)	
Log (Conflict fatalities, June 2018)			-.015 (.010)
Control variables	Included	Included	Included
Number of observations	385	385	385
Wald chi2	40.72	40.34	41.39
Prob > chi2	0.002	0.001	0.001

Notes: Average marginal coefficients are reported. Robust standard errors are in parentheses. \* and \*\* are significant at 10% and 5% levels, respectively.

Next, we estimate the same models for respondents who reported not going without cash income during the 12 months preceding the survey. The results are presented in Table 6. Consistent with our full sample analysis, all six estimations reveal a robust negative association between conflict-related variables and the intention to start a business. In other words, the number of conflict events and fatalities appear to be important determinants of entrepreneurial intentions among individuals seeking business opportunities.

Financially stable individuals tend to reduce their entrepreneurial intentions more sharply during times of conflict compared to financially vulnerable individuals. This difference arises because those with financial stability have greater resources and alternative options, allowing them to avoid or delay risky ventures when uncertainty increases. In contrast, financially vulnerable individuals often lack such flexibility and may feel compelled to pursue entrepreneurship despite heightened risks, driven by necessity rather than choice.

**Table 6.** Results of Probit regression: Opportunity entrepreneurship

<b>Panel A. Conflict events</b>			
Dependent variable: Intention to start a business			
<i>Explanatory variables</i>	(1)	(2)	(3)
Log (Conflict events, January-June 2018)	-.055*** (.020)		
Log (Conflict events, April-June 2018)		-.046*** (.018)	
Log (Conflict events, June 2018)			-.046*** (.017)
Control variables	Included	Included	Included
Number of observations	547	547	547
Wald chi2	46.47	46.12	45.55
Prob > chi2	0.000	0.000	0.000
<b>Panel B. Conflict-related fatalities</b>			
Log (Conflict fatalities, January-June 2018)	-.018** (.007)		
Log (Conflict fatalities, April-June 2018)		-.018** (.008)	
Log (Conflict fatalities, June 2018)			-.020* (.010)
Control variables	Included	Included	Included
Number of observations	547	547	547
Wald chi2	45.66	44.84	43.46
Prob > chi2	0.000	0.000	0.001

Notes: Average marginal coefficients are reported. Robust standard errors are in parentheses. \* and \*\* are significant at 10% and 5% levels, respectively.

### *Comparative analysis: The case of Lebanon*

Is the observed relationship between conflicts and entrepreneurial intentions unique to the Iraqi sample, or can it also be found in other Middle Eastern countries with experiences of war and conflict? To explore this, we selected Lebanon, where data on the dependent variable (entrepreneurial intention) is available in the WVS, and the country has experienced periods of war and civil conflict. Historically, Iraq has endured more frequent and large-scale armed conflicts than Lebanon when considering the entire country over the past half century. Iraq's wars have generally involved the whole nation and been more extensive, whereas Lebanon's conflicts, though fewer, have still been severe. We re-estimate Model 1 from Table 2 using data from Lebanon<sup>13</sup>. The results show no significant relationship between conflicts and the intention to start a business after controlling other factors.

This may be because Lebanon has a stronger entrepreneurial ecosystem compared to Iraq, making Lebanese respondents less sensitive to the country's relatively limited conflicts. Additionally, cultural and social norms in Lebanon provide robust support for enterprise. Lebanese culture emphasizes initiative, creativity, and innovation, and encourages entrepreneurial risk-taking. According to the Global Entrepreneurship Monitor (GEM, 2018), Lebanon ranked first among eight MENA countries for new business ownership, first for Total Early-Stage Entrepreneurial Activity (TEA), and first for established business ownership. GEM (2018) also identifies Lebanon as one of the world's most entrepreneurial countries, ranking 4<sup>th</sup> out of 48 nations in the GEM Adult Population Survey (APS) for TEA.

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<sup>13</sup> The estimation results for Lebanon are available upon request.

## 5. Conclusion

This study has investigated the relationship between conflict intensity and entrepreneurial intentions in Iraq, a country that has endured decades of geopolitical instability and internal strife. By combining regional-level conflict data from the ACLED with individual-level responses from the WVS, we offer a novel perspective on how environmental hostility shapes economic behavior in post-conflict settings.

Our empirical analysis yields robust evidence that conflict intensity is a significant deterrent to entrepreneurial intentions. We find that individuals residing in regions with higher frequencies of conflict events and conflict-related fatalities are significantly less likely to take steps toward starting a business. Notably, our results indicate that entrepreneurial intentions are more sensitive to the frequency of conflict events than to the absolute number of fatalities. This suggests that the constant presence of instability and the unpredictability of the security environment weigh more heavily on the cognitive decision-making process of potential entrepreneurs than the severity of violence alone.

A critical contribution of this study is the identification of a heterogeneous response to conflict based on financial stability. Our findings reveal a divergence between "necessity" and "opportunity" entrepreneurship. Financially vulnerable individuals, those driven by necessity, appear desensitized to conflict conditions; their decision to start a business is largely unaffected by violence, likely due to a lack of alternative survival strategies. Conversely, financially stable individuals, those most likely to engage in high-growth, opportunity-driven entrepreneurship, are highly sensitive to conflict. They exhibit a sharp reduction in entrepreneurial intentions when violence increases, presumably because they possess the resources to wait for stability or the option to avoid risk. This finding implies that prolonged conflict does not merely reduce the volume of new businesses but degrades the quality of the entrepreneurial ecosystem by filtering out innovation-oriented ventures.

Furthermore, our analysis of control variables highlights that education, and a sense of autonomy are positive drivers of entrepreneurial intentions, while higher levels of religiosity are associated with lower intentions. The comparative analysis with Lebanon further reinforces that the impact of conflict is context-dependent; in Iraq, the sheer intensity of violence combined with a fragile institutional ecosystem creates a threshold where security becomes the binding constraint on economic initiative.

In summary, conflict in Iraq acts as a severe tax on future economic growth by suppressing the intentions of those best positioned to create value. Rebuilding Iraq's economy requires not only physical reconstruction but also the restoration of a secure environment where the "mental imagery" of the future inspires investment rather than fear.

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