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TURNING SETBACKS INTO STRENGTH: HOW FEAR, STRESS, AND ADAPTATION SHAPE CONFIDENCE IN MICRO AND SMALL BUSINESSES

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ABSTRACT

This research investigates how fear of failure and negative entrepreneurial experience interact with psychological stress during crises in an unstable environment. The study also examines the interaction between fear of failure, psychological stress, psychological adaptation, and future business confidence. The study collects data from micro and small enterprises operating in different areas of the context of the study and reports different results. The findings reveal various findings. In the direct relationships, it was found that fear of failure positively influences psychological stress and negatively influences future business confidence, as well as the ability of negative entrepreneurial experience to influence psychological stress and psychological adaptation to influence future business confidence positively. Furthermore, psychological adaptation did not negatively influence psychological stress, and psychological stress did not negatively influence future business confidence. Psychological stress could neither mediate the relationship between fear of failure, future business confidence, nor psychological adaptation and future business confidence. Discussion of these findings is further elaborated in the discussion section, whereas the implications and suggestions for policymakers are provided in the implications section.

KEYWORDS: Failure, Stress, Adaptation, Confidence, Experience, Micro entrepreneurs.

1. INTRODUCTION

Micro and Small enterprises (MSEs) contribute to developing economies in both developing and developed countries via improving the people's standard of living, socio-economic advancement, reducing poverty, and improving employment (Alshebami, 2025; Daoud et al., 2020; Suresh et al., 2025). Still, with MSEs' positive role, they struggle with challenges such as limited financial resources, a deficiency in skilled workforce, insufficient assets, poor skills and knowledge, political instability, resource limitations, and poor infrastructure (Holt & Littlewood, 2017; Linna, 2013; Lobaton, 2023; Simba et al., 2021), all of which can increase the level of stress and fatigue among micro and small entrepreneurs due to their inability to deal with these stressors.

With these limitations, micro and small entrepreneurs must adopt mechanisms and strategies to deal with such stressors, maintain the available resources, and encourage future investment. These strategies may include the use of bricolage strategies (Simba et al., 2021), applying coping mechanisms such as planful problem-solving, task-oriented coping (Folkman et al., 1986; Hobfoll, 2001; St-Jean & Tremblay, 2023; Wach et al., 2021) to help save resources and maintain them. In addition to the previously mentioned challenges, entrepreneurs might fear failure and be negatively affected by past negative experiences, exacerbating their burden and increasing stress (Cashman et al., 2023; Jamal, 2007; Lechat & Torre, 2016).

According to the Conservation of Resources (COR) theory developed by (Hobfoll, 1989, 2001) that focuses on maintaining resources and considers losing resources is a leading cause of stress, this research considers Fear of failure (FOF) and Negative Entrepreneurial Experience (NEE) as depleting resources because they raise stress levels, thus reducing entrepreneurs' capacity to maintain high confidence in their future business prospects. FOF is anxiety about failing that stems from concerns over social judgment, personal ability, financial loss, or the potential negative consequences of one's actions, and it is also a motive to avoid failure linked to shame (Cacciotti et al., 2016; Gustafsson et al., 2017). On the other hand, NEE refers to those past bad events or actions, including entrepreneurs' loss and failure, forcing entrepreneurs to develop a negative perception of risk, resilience, and capability (Jenkins et al., 2014). These depleting resources also inhibit entrepreneurs from investing in other resources (Hobfoll, 1989, 2001).

In view of that, entrepreneurs need to deal with available stressors by developing adequate coping strategies, such as adopting proactive coping that includes acquiring, maintaining, and fostering resources to prepare for possible stressors, then continuing to invest in resources to ensure protection against loss and recover from loss and gain new resources. Entrepreneurs also must make environmental changes, such as improving workplace conditions and removing social bias that hinders the utilisation of resources (Hobfoll, 1989, 2001). Depleting factors/resources need other resources to minimise their adverse effect; here, we consider psychological adaptation (PA) as a gain of resources to help reduce the negative influence of these depleting resources. PA is an individual's capability to mentally and emotionally recover from setbacks, adjust to business disruptions, and preserve stability under uncertainty (Manzano-garcía & Calvo, 2013).

Discussing a comprehensive model combining NEE, FOF, PS, and PA and linking it to Future Business Confidence (FBC) among micro and small entrepreneurs has rarely been discussed in the previous literature, especially in the conflicting zone of developing countries. Most of the previous literature discussing the stress, anxiety, and FOF concept focused mainly on students and their academic performance, such as that of (Cashman et al., 2023; Giel et al., 2020) or on athletes' stress (Yıldırım et al., 2023). Therefore, many aspects related to FOF need to be addressed (Shahid et al., 2024), especially as the role of understanding the well-being and stress of individuals is still unclear (Wach et al., 2021). Furthermore, most of the previous studies on FOF and NEE considered analysing their antecedents, such as the study of (Al-alawi et al., 2023; Deligianni et al., 2025), less focus was on how FOF and NEE influence PS and FBC and how PA interferes with this analysis, especially in disturbed areas and in the context of entrepreneurship, where most entrepreneurs fail (Soomro & Shah, 2022), making analysing such joint relationships essential, especially during crises.

This research focuses on micro and small entrepreneurs' stress, negative experiences, future confidence, and adaptation mechanisms in Yemen. The literature in Yemen has ignored this area, with most previous studies focusing on large businesses and irrelevant topics (Alshebami, 2025). In Yemen, microenterprises are businesses with one to three employees, while small enterprises have more than three but fewer than 10 employees (Abdullah et al., 2016). Yemen, an impoverished country with a high

unemployment and poverty rate reaching sometimes above 74% according to The World Bank, (2024), along with a high rate of unemployment. In Yemen, internal conflict and instability have been persistent since 2015, resulting in the closure of about 35% of medium enterprises and 27% of the small enterprises, considering the micro one also, and with about 97% incurred economic loss and 58% suffered from partial damage (Alkhameri, 2021; International Labour Organisation, 2018).

Entrepreneurs in Yemen continue to suffer insecurity, loss of resources such as capital, increased debts, limited access to finance and poor infrastructure (Alkhameri, 2021) all of which increases stress, pressures and tensions among micro and small entrepreneurs and demotivate them from continuing operating in the future, reduce their confidence due to their negative experiences and fear of failing due to absence of resources and encouraging business environment (International Labour Organisation, 2018). Physical damages, human capital loss, economic loss, operational challenges, uncertainty and risk can all be stressors for Yemeni MSEs (International Labour Organisation, 2018).

These challenges not only encounter economic and operational hurdles for entrepreneurs, but they also place psychological and emotional stressors, negatively affecting the ability of entrepreneurs to sustain and continue growing their business in the future, and suggesting immediate intervention for their survival for stress mitigation.

In the context of the conflict-affected regions, such as the context of the study, there is a lack of research on emotional and psychological aspects in entrepreneurship and MSEs specifically. There appears to be a need to explore and understand how FOF, NEE, PA, PS, and FBC interact together the COR theory can support them. More specifically, there is limited research on emotional and psychological factors that shape decision-making and resilience in disturbed areas and among MSEs. This gap is visible in Yemen as micro and small entrepreneurs face scarcity of resources and extreme uncertainty in the business and market. For that, this research develops and tests a theoretical model to help reduce stress and strengthen confidence among entrepreneurs about their future business. Testing this model allows us to understand the psychological and emotional mechanisms influencing entrepreneurial resilience in the conflicted area. This research contributes by offering valid suggestions for policymakers on reducing stress and strengthening confidence among micro entrepreneurs in Yemen.

This research is organized into several sections. It starts with an introduction, a literature review, and the development of hypotheses. The subsequent sections detail the research methodology, data analysis, results, discussion, implications, and conclusion.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Theoretical Underpinning

The framework for this research is built on the Conservation of Resources (COR) theory, which was first introduced by Hobfoll (1989, 2001). The COR theory proposes that people strive to retain and protect the resources they value. They experience stress when these resources are lost, threatened, or seem inadequate. In short, acquiring and protecting valuable resources becomes most important when facing a potential loss (Hobfoll, 2001). For a small business owner, Fear of Failure (FOF) and Negative Entrepreneurial Experience (NEE) act like resource drains. These depletions increase psychological stress (PS), which then reduces the entrepreneur's confidence in their future business success. However, Psychological Adaptation (PA) can help. Adaptation serves as a protective resource. By enhancing resilience and improving coping mechanisms, PA helps individuals manage challenges more successfully. This helps entrepreneurs deal with challenges more effectively leading to greater business confidence and better resource conservation. In fact, this pattern aligns with a central principle of COR theory: the "loss spiral" described by (Hobfoll, 2001). The process where FOF and NEE increase psychological stress (PS), and PA mitigates it, perfectly illustrates how high stressors can lead to even lower resource reserves.

2.2. Hypotheses Framing

FOF, PS, and FBC

Fear of Failure (FOF) is a psychological condition that can overwhelm a person. It is characterized by a combination of negative emotions like anxiety, reluctance, and distress linked to the possibility of business failure or the associated shame (Cacciotti et al., 2016).FOF has received much attention in the literature recently, see, for example, (Cacciotti et al., 2016; Chua & Bedford, 2016), and has been classified as one of the key barriers entrepreneurs face (Asiedu et al., 2015), highlighting attention to the need to focus on it to increase confidence among entrepreneurs to start their ventures. According to

the COR theory, stress may arise when resources are lost or threatened to be lost. More specifically, FOF acts as a resource-depleting factor that raises stress levels, thus reducing entrepreneurs' capacity to maintain high confidence in their future business prospects. FOF represents a resource-depleting factor because it prevents entrepreneurs from investing in other resources, proactive coping, or risk-taking activities. It makes them use defensive strategies to maintain available resources (Hobfoll, 1989, 2001). Fear of Failure (FOF) is commonly driven by limited financial support, a dislike to risk, and previous business failure (Alhalbusi et al., 2024). Consequently, people with high FOF are less likely to participate in in entrepreneurial endeavors particularly during the critical stage of establishing a firm (Daoud et al., 2020).

The relationship between FOF and other variables can be complex. Different findings were observed showing varying connections between FOF and other concepts. For instance, research involving Swedish adolescents demonstrated that FOF can act as a mediator between what students expect from their education and the stress they experience (Cashman et al., 2023).The study's findings highlighted that girls are more vulnerable to adverse effects because they have a higher level of FOF, confirming the role of FOF in raising stress, complaints, and worry and reducing confidence. According to the study of (Giel et al., 2020), key factors that increase stress among students include mentality and learning environment. In other words, when educational institutions place competitive emphasis on students, students generate more stress and tensions. Another study by (Yıldırım et al., 2023) examined the influence of FOF on resilience, extrinsic motivation, and burnout among 285 athletes in Turkey. Findings reported that FOF hurts resilience, meaning FOF reduces resilience and increases burnout and stress, which is also supported by (Zhang et al., 2022). The research of (Al-alawi et al., 2023) reported that because of FOF, entrepreneurial emotion and psychological health may suffer, confirming the potential adverse effect of FOF on FBC. They also emphasised the positive role of social support in minimizing the effect of entrepreneurs' prior failure on their future and present related anxiety.

The study of Cao, (2025) analysed data from 38 countries to understand how FOF and entrepreneurial activities interact and reported that FOF negatively correlates with entrepreneurial activity internationally. Their findings indicated that higher FOF inhibits willingness to engage in entrepreneurship. The connection between FOF and exit intention among 255 entrepreneurs was examined, and results confirmed that self-related fear of failure results in a higher intention to exit in business. In contrast, external sources do not lead to that (Shahid et al., 2024). This study emphasises offering an adequate business environment that includes business incubators and services to reduce FOF and increase confidence. The study of Shahid et al., (2024); Soomro & Shah, (2022) also confirmed that FOF negatively impacts subjective well-being, resulting in higher stress, loneliness, procrastination and anxiety, and emotional fatigue, and it is considered a barrier in entrepreneurship. FOF is also developed because individuals feel their failure will develop shame and embarrassment among others, leading to greater psychological stress (PS) Gustafsson et al., (2017) and less self-confidence (Kaur, 2020).

Accordingly, based on the above literature and discussion, we argue that FOF leads to higher stress among micro and small entrepreneurs as it makes them tensed and worried about adverse outcomes such as disappointing others, experiencing shame and uncertainty in the future, or maybe missing any potential opportunities (Gustafsson et al., 2017). When FOF continues, it results in higher overthinking and greater anxiety that negatively affect them by reducing their confidence in themselves and their abilities to succeed in the future (Conroy & Metzler, 2004). Hence, the following hypotheses are established.

H1. Higher FOF levels positively influence micro and small entrepreneurs' PS.

H2. Higher FOF levels adversely affect micro and small entrepreneurs' FBC.

H3. PS mediates the relationship between FOF and FBC, such that FOF increases PS, reducing FBC.

PA, PS, and FBC

Entrepreneurs constantly face challenges like market uncertainty, financial risk, and personal challenges. To persist, they must develop adaptation strategies. Resilience is one such strategy. It helps them operate effectively under pressure (Alshebami, 2025; Manzano-garcía & Calvo, 2013; Markman & Baron, 2003). Resilient entrepreneurs adapt quickly. They tend to be optimistic, determined, and resourceful. These qualities help build confidence (Manzano-garcía & Calvo, 2013; Tugade & Fredrickson, 2004). In this study, Positive Adaptation (PA) is used as a measure of resilience. Both concepts describe the ability to adapt and cope successfully with challenges, hardship and adversity (Tugade & Fredrickson, 2004).

COR theory (Hobfoll, 2001) emphasizes that people need to maintain and build their resources to reduce stress and to improve well-being. PA is

viewed here as a key psychological resource. Entrepreneurs who maintain PA can adapt to crises, manage stress, and focus on growth (Adomako, 2021; Hobfoll, 2001; St- Jean & Tremblay, 2023). They use coping strategies like planned problem-solving and positive reappraisal, which lead to better outcomes in stressful situations (Folkman et al., 1986).

Existing studies confirm the importance of adaptability and resilience in entrepreneurship. For instance, the study of Nurani (2020) of 105 entrepreneurs in Indonesia demonstrated its role in helping entrepreneurs sustain their efforts and minimize stress during difficult times. It was found that problem-focused coping can mediate the relationship between perceived stress and psychological well-being, all of which results in assisting entrepreneurs to reduce and manage stress and improve their psychological well-being. Problem-focused coping strategies involve identifying sources of stress and planning, searching for solutions to solve problems. Another study by Gustems-carnicer et al., (2018), who collected a sample of 334 individuals from Spain, confirmed that coping strategies could partially mediate the connection between stress and wellbeing, highlighting the role of adaptation in minimising the adverse effects of stress on individuals' wellbeing.

The study of Gustems-carnicer et al., (2018) concluded that if stress controls an individual, it may increase their level of burnout, emotional exhaustion, and increase their depersonalization, and reduce their personal fulfilment, all of which affect their level of confidence, self-efficacy, and trust in their ability, hence giving up any potential business prospects. Furthermore, the study of St-Jean & Tremblay, (2023), who collected data from 496 entrepreneurs during the coronavirus period, revealed that task-oriented coping strategies, as well as avoidance-oriented coping strategies, contribute positively to the reduction of stress levels and improve the well-being among entrepreneurs via enabling them to implement proactive essential actions to deal with challenges. In another important research conducted by Wach et al., (2021), it was reported that there is a need to develop recovering strategies that detach individuals from stressors to reduce stress among entrepreneurs and improve their well-being.

Accordingly, we argue that, higher level of PA leads to less stress and better confidence among micro and small entrepreneurs, and based on that, we develop below hypotheses:

H4. PA negatively influences PS among micro and small entrepreneurs.

H5. PA positively influences FBC among micro and small entrepreneurs.

H6 PS mediates the relationship between PA and FBC, such that PA reduces PS, enhancing FBC.

H7. PS adversely influences FBC among micro and small entrepreneurs.

NEE and PS

NEE refers to past adverse events such as failed enterprises, financial loss, broken trust, or loss of confidence that entrepreneurs directly experienced, which are beyond the control and adaptability of an individual (Jenkins et al., 2014; Smith & Lazarus, 1990). These negative experiences entrepreneurs face negatively influence a wide range of aspects entrepreneurs including their mindset and shape a negative perception of risk, capability, and future business prospects. Entrepreneurs evaluate these adverse outcomes, and accordingly, they trigger their emotional distress, including grief, anger, depression, and sadness (Smith & Lazarus, 1990).

In entrepreneurship, Challenges such as resource shortages, competition, and time pressures may remain stressors when discussing stable contexts. However, when discussing unstable business environments like Yemen, these stressors often escalate into actual negative experiences. For example, when there is a shortage of money, this leads to real business closure or conflict, which results in real loss of customers. This makes the entrepreneur more likely to feel worried, stressed, and hesitant toward future entrepreneurial activities. The adverse setbacks and events result in significant negative outcomes representing the direct effect of entrepreneurial effort failure, including social and psychological costs (Smith & Lazarus, 1990; Stephan, 2018).

According to the literature on stress, negative accumulated entrepreneurial experiences drain entrepreneurs' psychological resources according to Hobfoll, (2001), weakening their confidence and increasing their worry about success in future projects. Some studies related to the stress concept, such as Jamal (2007) , highlight that entrepreneurs struggle with specific challenges, such as role strain, great emotional exhaustion, and poor accomplishment, compared to salaried employees, because they treat failure as personal responsibility. In another study by Lechat & Torre, (2016) with a sample of 357 French small entrepreneurs, it was affirmed that there are about 30 categories of adverse events, such as a drop in the business, health problems, poor performance, conflict among employees, overwork, financial obstacles and bankruptcy all of which contribute to raising stress emotional level among female entrepreneurs. This aligns with the assumption that past negative experiences lead to greater stress. The study of Folkman

et al., (1986) also highlights that emotional and psychological stress finds an opportunity to rise when there is a high level of environmental demands or when the ability of individuals to adapt is higher than their actual ability, especially in situations related to financial issues, self-esteem, or personal goals.

The study of Tetrick et al. (2000) emphasised that entrepreneurs or business owners may face challenges such as a lack of social support or peers. This may result in entrepreneurs' isolation, higher responsibility placed on them, and reduced received feedback, ultimately resulting in higher emotional exhaustion that aligns with the influence of NEE in unstable contexts. Additionally, adverse events such as long working hours, role ambiguity, strain, isolation, being self-employed income threat, monetary loss, job demands, time pressures, loss of business, risk in the work, hard work and other factors can demotivate individuals and create psychological stress (Cardon & Patel, 2015; Kiefl et al., 2024; Schonfeld & Mazzola, 2015; Stephan, 2018). These factors and others may intensify negative experiences and lead to psychological stress Jamal., (2007) and confirming the need to develop coping strategies for stress management.

To summarise, in the context of Yemen. The instability and continuous conflict may magnify rational and financial risks, hence NEE will then push psychological stress, all of which lead to less confidence, generating more fear and uncertainty, and developing a fear of conducting business in the future. For that, the assumption is that a higher level of NEE leads to greater PS faced by micro and small entrepreneurs.

Hence, the following hypothesis is developed:

H8. NEE positively impacts PS among owners of micro and small enterprises.

2.3. Operational Definitions

Table 1 explains the operational definitions of the study

Table 1: Constructs Of the Study Definitions.

Concept	Operational definition	Source
Fear of Failure	It is that psychological state that controls an individual, which involves a mixture of negative feelings, anxiety, reluctance, and emotional distress associated with business failure or perceived social image loss.	Cacciotti et al., (2016)
Negative Entrepreneurial Experience	Past bad events and actions, including entrepreneurs' loss and failure, can lead entrepreneurs to develop a negative opinion of risk, resilience, and capability.	Jenkins et al., (2014)
Psychological Stress	It is the emotional pressure an entrepreneur encounters due to excessive work demands, uncertainty, or challenges in managing their business.	Cohen et al., (1983)
Psychological Adaptation	It is the ability of entrepreneurs to mentally and emotionally recuperate from setbacks, adjust to business disruptions, and preserve stability under uncertainty and changing circumstances in the business.	(Manzano-garcía & Calvo, 2013; Markman & Baron, 2003; Tugade & Fredrickson, 2004)
Future Business Confidence	The degree of an entrepreneur's optimism and expectations regarding their business's continuity, growth, and survival during an adverse period.	(Hmieleski & Baron, 2009; Nabi et al., 2016)

Source: Author's Development.

2.4. Conceptual Model

Figure 1 introduces the proposed study model. It highlights that FOF, NEE, and PA are key independent constructs while considering PS as a mediator and FBC as a dependent variable. This model was developed after thoroughly reviewing the existing literature and a detailed analysis of the research gap and the study's problem.

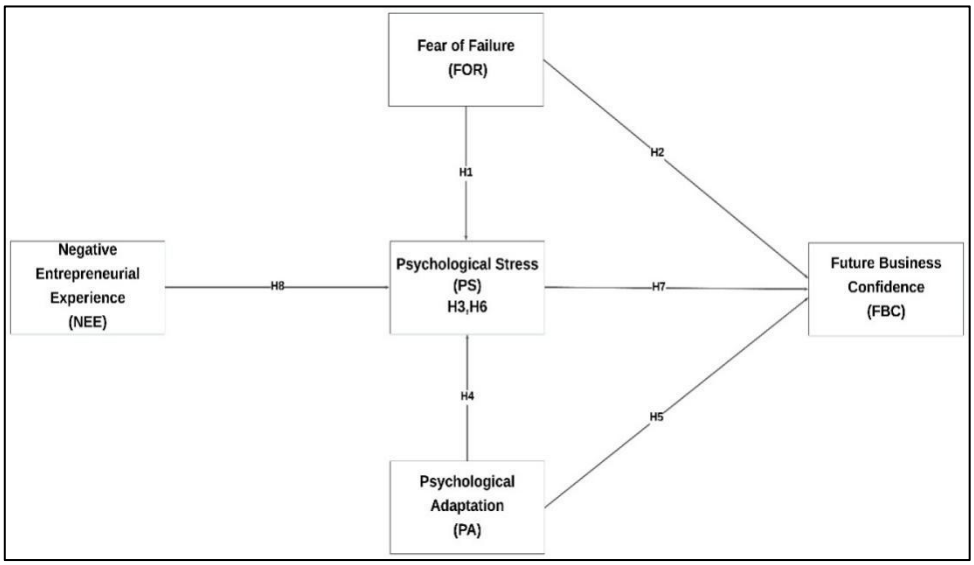

Figure 1: Author's Conceptualised Model.
Source: Author development.

3. RESEARCH METHODOLOGY

3.1 Sample of The Study and Research Design

As the MSE sector in Yemen faces numerous challenges due to the unstable situation there, and based on the study's objectives, research problem, and research gap, it was decided to conduct an empirical, quantitative, deductive study to help develop a theoretical model along with essential recommendations to strengthen the MSE sector and support micro and small entrepreneurs. Data was obtained from a sample of 252 micro and small entrepreneurs operating across various districts of Sana'a, Yemen. This city was chosen as it hosts the highest number of micro and small entrepreneurs in the country. These selected entrepreneurs worked in various sectors, including retail, wholesale, services, and small-scale production and agriculture.

Convenience and snowball sampling methods were used to collect responses. Convenience sampling was selected for practical reasons. Yemen's MSE sector is unstable, and many businesses have closed. There is also no complete directory of these entrepreneurs; this makes random sampling difficult. Convenience sampling is also efficient and cost-effective for researchers with limited time and budget (Etikan et al., 2015; Stratton, 2021). Snowball sampling was also used to reach more respondents by asking participants to refer their colleagues.

The final sample size of 252 is considered adequate according to the common "10-times rule" in statistical analysis (Hair et al., 2011; Kock & Hadaya, 2016). The survey questions were originally written in English based on a review of previous studies. They were then translated into Arabic with the help of a language expert to ensure accuracy and consistency with the original version. A pilot study with 20 participants was conducted first to identify any issues with the questions. After making minor corrections, the final questionnaire was distributed. Data was collected by visiting the entrepreneurs at their places of business. The survey was submitted to business owners or managers who were authorized and understood its content. Besides on-site visits, the researchers also distributed the questionnaire via WhatsApp to some entrepreneurs introduced by their colleagues, to reach the maximum number of respondents. The researchers ensured that respondents could answer freely by including a clear statement at the beginning of the questionnaire about their willingness to respond voluntarily. The data collection lasted for two months in the year 2025.

3.2 Measures of The Study

In this research, the author, aiming to ensure good reliability and validity of the measures used, relied on various measures adapted from previous studies. Since this research has many constructs, each has key items to measure it. For example, the concept of FOF was taken from the study of (Cacciotti et al., 2016). A sample of the measures used for this variable included "I am very anxious about failing in my business." The items measuring the second concept, attributed as PS, were also adapted from the research of Cohen et al., (1983), and a sample of these items included "I feel that things are out of my control in the business." The third concept, namely PA, was adopted from the

study of (Manzano-garcía & Calvo, 2013; Markman & Baron, 2003; Tugade & Fredrickson, 2004), and an example of PA questions was "I can bounce back quickly after failure or loss." The fourth variable, NEE, was also adapted from the article developed by (Jenkins et al., 2014), and a sample of NEE measures included "I have experienced a significant financial loss in my business." Finally, the concept of FBC relied on the studies of (Hmieleski & Baron, 2009; Nabi et al., 2016) to develop its measures, and a sample of the measures employed included "I am confident that my business will continue over the next year."

4. ANALYSIS AND RESULTS

4.1 Demographic Findings

Table 2: Demographic Details of Respondents.

Description	Type	Percentage (%)	Total
Gender	Male / Female	80.2 / 19.8	252
Marital Status	Single / Married / Other	39.3 / 54.8 / 6.0	
Age	18–28 / 29–39 / 40–50 / Over 50	44.0 / 36.9 / 14.3 / 4.8	
Educational Level	Primary/Secondary / Bachelor's / Diploma / Postgraduate	50.8 / 24.6 / 21.8 / 2.8	
Experience	Smaller than 5 years / 5–10 years / greater than 10 years	34.5 / 46.0 / 19.4	
Sector of Work	Agriculture / Retail & Wholesale / Simple Technology / Services / Micro Manufacturing	6.0 / 52.8 / 13.1 / 12.7 / 15.5	
Number of Employees	1–3 / 4–9	71.0 / 29.0	

Source: Primary Data Analysis

Based on the descriptive details in Table 2, one may conclude that the male sample is larger than the female sample, confirming male dominance in society. Regarding marital status, it can be concluded that most respondents are aged between 18 and 28, indicating a young community of entrepreneurs. Concerning educational levels, approximately 50.8% of respondents have primary or secondary education. Regarding business experience, about 46% of respondents have 5 to 10 years of experience. Additionally, around 52.8% of respondents operate in the retail and wholesale sectors. Finally, about 70% of respondents are categorised as micro-entrepreneurs, with 1 to 3 employees.

5. DATA ANALYSIS APPROACH

5.1 Measurement Model

For a thorough analysis of the measurement model, several steps are conducted. The first step is to examine the reliability of the constructs and indicators as shown in the tables below.

Table 3: Representation Of Constructs, Reliability and Validity.

	Cronbach's alpha (CA)	Composite reliability (CR)	Average variance extracted (AVE)
FBC	0.813	0.877	0.641
FOF	0.697	0.815	0.524
NEE	0.754	0.844	0.576
PA	0.821	0.879	0.650
PS	0.730	0.831	0.551

Source: Primary Data Analysis

To assess the reliability of the constructs used in the study, three tests are used here by the researcher: Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE). These tests ensure that the measures accurately represent the study's concept. According to Hair et al. (2019), CA and CR should have a minimum value of 0.60 to ensure better reliability in exploratory research. The findings, shown in Table 3, meet the required thresholds. CA and CR values confirm good reliability in the model and its constructs. Moreover, The AVE value is examined to verify convergent validity. The threshold for AVE is 0.50; it indicates the construct's capacity to explain 50% of the variance in the indicators used (Hair et al., 2011).

Next, the study examines the factor loadings of each survey item to ensure they are strong indicators of their respective constructs. The recommended value is 0.70 (Hair et al., 2019), though 0.60 is acceptable in exploratory research (Knekta et al., 2019). As shown in Table 4, all indicators meet this threshold. Two items, FOF3 and NEE1, were removed from the analysis because their loadings were too low.

Table 4: Representation Of Constructs, Reliability, And Validity.

	FBC	FOF	NEE	PA	PS
FBC1	0.787				
FBC2	0.835				
FBC3	0.830				
FBC4	0.747				
FOF1		0.682			
FOF2		0.771			
FOF4		0.720			
FOF5		0.721			
NEE2			0.723		
NEE3			0.783		
NEE4			0.789		
NEE5			0.738		
PA1				0.611	
PA2				0.875	
PA3				0.882	
PA4				0.824	
PS1					0.694
PS2					0.752
PS3					0.789
PS4					0.732

Source: Primary Data Analysis

Table 5: Heterotrait-Monotrait Ratio (HTMT).

variables	FBC	FOF	NEE	PA
FOF	0.176			
NEE	0.265	0.485		
PA	0.516	0.145	0.378	
PS	0.210	0.698	0.573	0.219

Source: Primary Data Analysis

We also confirmed discriminant validity with the use of the HTMT ratio. This shows that each construct in our model is truly distinct from the others. All HTMT values, shown in Table 5, were below the 0.85 threshold confirming good discriminant validity.

Table 6: Correlation Matrix for The Variables of The Study.

Variables	FBC	FOF	NEE	PA	PS
FBC	1.000	-0.130	0.209	0.453	0.156
FOF	-0.130	1.000	0.358	-0.040	0.503
NEE	0.209	0.358	1.000	0.299	0.426
PA	0.453	-0.040	0.299	1.000	0.166
PS	0.156	0.503	0.426	0.166	1.000

Source: Primary Data Analysis

Table 6 clearly reveals the strongest correlation, which was between Positive Adaptation (PA) and Future Business Confidence (FBC) at 0.453. Furthermore, Fear of Failure (FOF) was positively correlated with Psychological Stress (PS) at 0.503. Similarly, Negative Entrepreneurial Experience (NEE) were positively linked to PS at 0. 426. In contrast, the association between FOF and FBC was negative and weak, at -0.130. The researcher also tested bias in the data and the total variance explained by employing the Principal Axis Factoring method, and it was found that the first factor accounted for 19.366% of the variance. This result is below the 50% threshold suggested by common method bias (CMB) tests, confirming that CMB is not a concern in the data (Podsakoff et al., 2003).

5.2. Structural Model

We first tested the developed hypotheses using the bootstrapping method outlined in Table 7 within the structural model. Table 7 presents the results of the hypotheses (H1 to H8), including the mediating hypotheses. The results indicate that H1, H2, H5 and H8 are supported, while H3, H4, H6 and H7 are rejected. Since some of these findings exceeded expectations, a detailed explanation is provided in the discussion section. These results are based on a 0.05% significance level for accepting or rejecting the hypotheses.

Table 7: Outcomes Of Tested Hypotheses.

	Relationship	**β**	**T value**	**P value**	**Result**

H1	FOF → PS	0.421	7.194	0.000	Supported
H2	FOF → FBC	-0.211	2.658	0.008	Supported
H3	FOF → PS → FBC	0.082	2.141	0.032	Not Supported (The mediation is significant but positive, not negative.)
H4	PA → PS	0.111	1.552	0.121	Not Supported (expected negative indirect effect)
H5	PA → FBC	0.412	6.533	0.000	Approved
H6	PA → PS → FBC	0.021	1.260	0.208	Not Supported (The mediation is not significant)
H7	PS → FBC	0.194	2.274	0.023	Not Supported (expected adverse direct effect)
H8	NEE → PS	0.242	3.648	0.000	Approved

Source: Primary Data Analysis

The next step in the structural model is to check the outcome of R^2, F^2, VIF, and Q^2, which are considered key criteria for evaluating the proposed model for the study. In this regard, Table 8 presents the results of various tests. It shows first the result of R^2. It reveals that FOF, NEE, and PA have a significant ability to predict about 33.3% of the variance in the dependent variable, i.e., PS, indicating a moderate level of prediction. At the same time, FOF, PS, and PA demonstrated a moderate capacity to predict FBC, accounting for approximately 24.4% (Cohen, 1988).

The second part of the table discusses the effect of independent variables on dependent variables, i.e., F^2. Based on the results, the most compelling effects were observed between FOF and PS (0.225) and between PA and FBC (0.214), both classified as medium effects according to (Cohen, 1988). Other relationships showed minor effects, with 0.043 between FOF and FBC, and 0.016 between PA and PS. Regarding the Variance Inflation Factor (VIF), all values in the inner model remained below 5, indicating no collinearity issues among the variables.

Finally, concerning prediction relevance (Q^2), it was positive and above zero for FBC (0.145) and PS (0.173), confirming the model's predictive capability. The other variables had a zero value, as they are independent constructs.

Table 8: Outcomes Of R^2, F^2, VIF^2 And Q^2.

Relationships / Constructs	R^2	F^2	VIF	Q^2
FBC	0.244	-	-	0.145
- FOF → FBC	-	0.043	1.368	-
- PA → FBC	-	0.214	1.051	-
- PS → FBC	-	0.035	1.404	-
PS	0.333	-	-	0.173
- FOF → PS	-	0.225	1.179	-
- NEE → PS	-	0.068	1.293	-
- PA → PS	-	0.016	1.129	-
FOF	-	-	-	0.000
NEE	-	-	-	0.000
PA	-	-	-	0.000

Source: Primary Data Analysis

Figure 2: Reflects The Result of The Path Coefficients Developed from The Analysis.

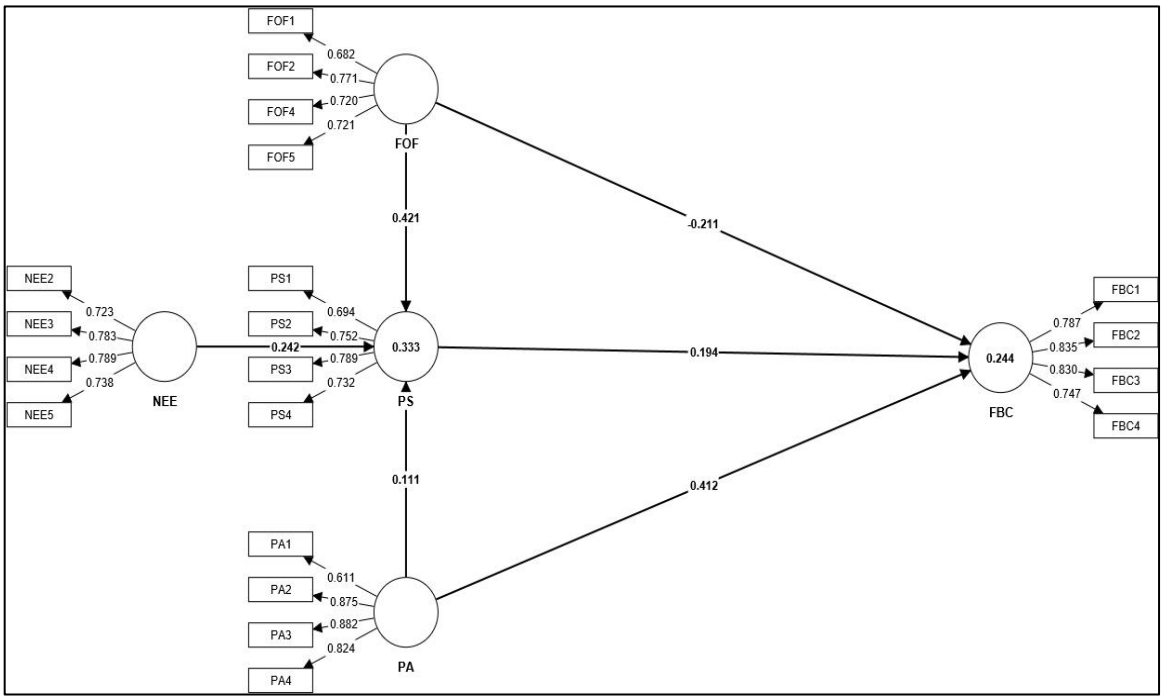

Figure 2: Path Coefficients Result.
Source: Analysis Outcome.

6. DISCUSSION

6.1. Interpretation of Findings

To meet the objective of this research, as indicated earlier, different hypotheses were developed for this purpose. We started examining the H1, which assumed a positive relationship between FOF and PS. H1 was approved (β=0.421, P<0.05) which was in line with the study of Hobfoll, (2001) as once individuals possess greater level of fear of failure or afraid to fail in their business, they tend to generate more stress, pressure and tension resulting in giving up business ideas, limiting investing in the future or cancelling the idea of expanding or growing the business in the future. In other words, those with high worry keep residing in the worrying cycle, fear of making errors, and keep thinking of worst-case scenarios instead of thinking of positive events and possible gains. The continuous worrying and anxiety, and negative thinking continue to feed psychological stress and keep the mind busy predicting threats and feeling overwhelmed. According to the COR theory, a higher level of fear of failure is also considered a depleting factor, as it depletes cognitive resources that could have been employed for effective problem-solving and other essential activities, leaving individuals feeling drained and more vulnerable to anxiety. FOF can also be considered a threat to financial resources, self-esteem, or social status. According to the COR theory, stress happens when individuals lose or invest resources and receive no gain back. This finding also aligns with other empirical results of Cardon & Patel, (2015); Cashman et al., (2023); Jamal, (2007), who all emphasised certain factors that exacerbate stress and threaten individuals.

With regards to the second Hypothesis (H2) proposing the presence of a negative relationship between FOF and FBC, H2 was confirmed with (β=-0.211, P<0.05). To elaborate more, greater FOF leads to a negative perception in the mind of entrepreneurs that their financial investments, self-esteem, or reputation are at risk, which in turn demotivates them from conducting any new business investments or taking any risky decisions, especially during challenging times and in conflict zones (Hobfoll, 1989, 2001). Furthermore, FOF encourages entrepreneurs to apply defensive strategies to protect their resources, such as avoiding taking any new business initiatives in the future. FOF keeps entrepreneurs with low confidence due to the negative feedback about the possibility of failure. FOF may also prevent entrepreneurs from taking proactive investments or making good decisions because they see risks rather than gains, leading to missing possible opportunities and reducing their willingness to engage in business projects or grab any available business opportunities. This finding also aligns with Al-alawi et al., (2023); Cao, (2025), who confirmed the possibility of a negative influence of

FOF on future business and entrepreneurial activities due to individuals' negative perception of risk and failure.

When discussing the result of H3, it was found that H3 was assumed to produce a significantly negative result, as the outcome of the two direct paths (FOF → PS) and (PS → FBC) was examined. Unexpectedly, the result of final mediation found for H3 indicated the presence of a significant positive relationship (β=0.082, P<0.05), which is against the earlier assumption of a significant negative relationship. In H3, a higher FOF was expected to lead to greater PS, resulting in lower FBC. The H3 finding may be justified as stress is not always detrimental. In other words, those entrepreneurs faced with stress may see stressors as a challenge, motivating them to invest more creativity, time, effort, and other resources to cope effectively with stressors and convert them into potential business opportunities. Stress may direct entrepreneurs to improve their skills and develop new and innovative strategies for handling their businesses, which finally increases their confidence in their future business (Hobfoll, 2001). Also, the H3 findings may highlight that despite being stressful with a high level of FOF, hopeful entrepreneurs may turn stressors to be an opportunity for growth via focusing on gain rather than concentrating only on loss, all of which finally increases their confidence level in their future businesses. This aligns with the concept, highlighting that stressful people can positively convert stressful scenarios into beneficial opportunities with more gains. Additionally, in most cases, stress and fear of failure can be seen as part of the business journey and part of their culture, so most entrepreneurs may expect a certain level of stress and fear Schonfeld & Mazzola, (2015); Shahid et al., (2024) and will consider this as necessary for fulfilling their goals, leading to more confidence in continuing the business journey despite anxiety and stress (Daoud et al., 2020).

About the H4, it was expected that a negative relationship exists between PA and PS; however, this hypothesis was not supported as it shows a result of (β=0.111, P>0.05). Based on the COR theory, the H4 result could be justified by highlighting that the connection between resources such as PA and PS may depend on the study context. For example, if the context is full of stressors, this may result in less positive effect of PA on PS, indicating that PA in this case cannot be an adequate remedy for mitigating stress in such a context. In other words, for entrepreneurs, for example, if they had been faced with greater stress and had lost significant resources during their business operation, they may not find PA a considerable solution for reducing their anxiety, and might not support the H4 assumption. Also, proving H4 might need incorporating other key variables such as personality traits, social support, or specific cultural factors to interact with PA, which were absent in this research model.

For H5, the proposition assuming a positive relationship between PA and FBC was accepted (β=0.412, P<0.05). The H5 finding aligns with the COR theory, emphasizing that the presence of resources such as PA, considered a psychological resource, may contribute to generating other resources Hobfoll, (2001) and (2002) ,resulting ultimately in better confidence and future investment. Adaptation and resilience enable individuals to cope and develop better strategies for sound business decisions Alshebami, (2025), generating more confidence and helping entrepreneurs succeed in business in the future. Psychologically adapted individuals can easily adjust to obstacles and maintain emotional stability. They can also have a forward-looking mindset to look for future opportunities with an outstanding level of confidence and with less attention to loss and challenges. They can also better deal with challenges with a strategic approach to use resources to create opportunities. They can further develop better resource management skills, including time, energy, and social capital, all of which individuals look confidently and positively for future business prospects. This finding is also consistent with the previous literature Alshebami, (2025); Manzano-garcía & Calvo, (2013); Markman & Baron, (2003), emphasising the positive role of adaptability and coping mechanisms.

About H6, where it was assumed that PS mediate the relationship between PA and FBC, assuming a positive relationship as the outcome for this mediation, the result unexpectedly did not confirm the ability of PS to positively mediate the relationship between PA and FBC (β=0.021, P>0.05). As indicated earlier, there seems to be a greater level of stressors in the study context, making PA unable to reduce stress among the respondents, resulting in poor confidence in themselves to succeed in their business in the future. This again means that PA cannot indirectly influence FBC through PS; there could be some other variables that need to be incorporated into this equation. The finding of H6 confirms that PA may not require any mediator such as PS, and it can positively influence FBC directly, which may mean psychologically adapted

individuals may develop greater confidence without focusing on stress, especially if they have an excellent level of adaptation (Hobfoll, 2001).

Concerning H7, PS was assumed to influence FBC negatively, but the result was unexpected and reported a positive significance (β=0.021, P<0.05). The H8 again aligns with the COR theory developed adaptation assumption (Hobfoll, 2001), which states that stressors cannot always be harmful or diminish an individual's confidence level. In some situations, PS can act as a motivator or neutral influence on individuals' confidence. In other words, some individuals may consider stressors a challenge rather than a threat and accordingly work on developing needed management skills, increasing their confidence level, creating better business networking, and developing better resilience and coping strategies. These all help strengthen self-efficacy and confidence so that they can succeed in their future businesses and overcome challenges. Also, one may predict that FBC can be influenced by factors other than PS, such as PA or optimism, or external business conditions, rather than PS.

Finally, the H8 was approved, which assumed a positive connection between NEE and PS (β=0.242, P<0.05). Based on the previous literature, this result is anticipated as those with greater negative business experience or past adverse events tend to develop greater psychological stress, as they already know the meaning of losing resources and how it negatively affects their self and business performance. NEE, such as financial losses and business failure or conflict, might all lead to creating psychological and emotional strains, which lead to greater uncertainty, self-doubt, and pressures, increasing stress among individuals' adaptation (Hobfoll, 2001). This finding also aligns with the previous literature confirming the same conclusion (Folkman et al., 1986; Lechat & Torre, 2016).

6.2. *Theoretical Implications*

This research offers new insight and validation on how stress, psychological adaptation, negative experience, and fear of failure enhance or deter future business confidence among micro and small entrepreneurs, especially in conflicting zones. It also adds a new contribution to the COR theory in the context of the study, the entrepreneurial field, and among MSEs. This research makes clear contributions to the field of study. It confirms that Fear of Failure (FOF) not only weakens entrepreneurs' confidence in their future prospects but also significantly increases their stress levels. It emphasizes the importance of recognizing FOF as a fundamental element in entrepreneurship and MSEs research and practice. The findings of this study also highlight the significant role played by PA in enhancing FBC and fostering confidence. The study also shows that Negative Entrepreneurial experience (NEE) lead to increased stress. This stresses the necessity of understanding how negative experiences shape an entrepreneur's stress levels especially in an unstable context like Yemen. This research also offers insight into theories by confirming that while external and psychological factors influence PS, its direct influence on business confidence is not guaranteed, calling for more moderation and mediation investigations regarding stress and confidence in the context of micro and small entrepreneurs in developing countries, and especially in conflict zones.

6.3. *Practical Implications*

In this section, the authors focus on key practical steps and strategies for dealing with PS, FOF, NEE, and PA to ensure entrepreneurs remain encouraged, resilient, and optimist during adverse situations. Therefore, in coordination with development organisations in the study context, policymakers are encouraged to arrange workshops and programs to enhance stress management techniques such as resilience building, mindfulness, and coping strategies tailored for micro and small entrepreneurs. Policymakers are also inspired to enhance psychological support for micro and small entrepreneurs via establishing easy accessible spiritual health resources, such as peer support groups, consultation services, to assist entrepreneurs cope with the FOF, stress, and other challenges. As financial resources are key resources for entrepreneurs especially those micro one who are vulnerable to shocks and adversities, it is needed to develop policies and strategies that provide entrepreneurs with the required financial support such grants, low interest loans during conflicts to assist them in mitigating the adverse effect generated during crises resulting in resources loss as offering such support will ensure ability to continue operating. It is also advised that entrepreneurs with poor experience managing stress must be paired with expert mentors Daoud et al., (2020) to provide them with guidance, emotional support, and practical advice to enhance their confidence and adaptability.

There is also a need to motivate the formation of business networks where entrepreneurs can share their resources, experiences, and solutions, all of which will reduce their isolation and increase their

confidence. Policymakers must design plans for enhancing and developing skills such as risk management, problem-solving, and adaptability among entrepreneurs to help them deal effectively with challenges. Furthermore, there is a need to spread awareness about the importance of crisis preparedness, resource conservation strategies, and ensure that they are well aware of them to handle unexpected events. The government needs to be lenient with micro and small entrepreneurs and assist in reducing stress by introducing an emergency regulation that easy the operation of micro and small entrepreneurs during a crisis, such as establishing a tax waiver system or extending deadlines for paying it, and also encouraging resource sharing, such as facilitating co-working spaces, equipment or knowledge, to minimise costs and strengthen collaboration among them. Finally, policymakers in the study context are encouraged to explore the experience of neighbouring countries and duplicate it in Yemen, especially the experience of Saudi Arabia during COVID-19 and how it handled the stress resulting from that crisis. There might also be a need to develop a long-term strategy, such as the one developed by the Saudi government, namely the 2030 vision, which provides long-term sustainable support for entrepreneurship and small enterprises.

7. CONCLUSION, LIMITATIONS, AND FUTURE RESEARCH DIRECTIONS

The problematic situation and challenging environment that micro and small entrepreneurs face during their operations, especially in those unstable contexts, necessitate providing different types of support and developing essential strategies that help them reduce stress and remain resilient, adapted, and optimistic when operating their businesses. These supports and strategies will lead to better confidence in themselves in succeeding and growing their business enterprises in the future. In this regard, this research contributes to this sector, hoping to offer a theoretical model supported by valid recommendations for policymakers, micro and small entrepreneurs, and other stakeholders of different types to help strengthen the MSE sector and entrepreneurs there. Accordingly, researchers collected a sample of the context of the study, totaling 252, from micro and small entrepreneurs who operate in different areas of Sanaa governorate, which is the capital of Yemen, and who carry out different types of businesses to investigate how failure, stress, negative experience, and adaptation influence their confidence in their businesses. The sample was collected from an unstable context to better understand how these factors interact during conflict time and in conflict zones. The study used a quantitative deductive method with snowball and convenience sampling to collect data and analyse the findings. The study grounded its model on the COR theory, as it was adequate for supporting the assumptions built. The study reported different interesting findings reported earlier.

The study adds new insight into the MSEs and entrepreneurship about fear, stress, adaptation, and future confidence in the business in conflict zones, and also contributes to the COR theory. It remains imperfect as it has some limitations. For example, the study data has been collected only from Sana'a Governorate, and even though it is the capital of Yemen, there remains a need to expand the sample to other areas in Yemen to ensure better coverage for the sample and better generalisation of the findings. Regarding the sample, even though 252 is convenient according to the ten times sampling rule, it is always better to have a larger sample size to ensure more opinions from respondents.

Furthermore, the sample size to a large extent is a male-dominated sample; accordingly, future sample is recommended to increase the female sample to see better how these factors interact among males and females rather than focusing only on males. Concerning the convenience and snowball sample, despite being suitable for the unstable context of the study, future researchers are recommended to attempt collecting data randomly to ensure better sample representing and reduce generated bias. Future studies may also consider incorporating some control variables to check if there could be any influence on the outcomes of the model and analysis or not. Also, future researchers are encouraged to apply a longitudinal study when collecting data rather than focusing on a cross-sectional research design to ensure better coverage and more sample representation. The insignificant findings suggest a need for further investigation into the developed constructs along with their items and better grounding for them, especially those expected to generate negative relationships, such as H3, H4, and H6. Finally, authors are encouraged to investigate relationships not examined in the present model, such as the one between NEE and FOF, and test other serial mediations.

DECLARATIONS

Ethics Statement: This study involved administering a questionnaire to respondents. All procedures complied with relevant laws and institutional guidelines, with the approval of the appropriate institutional committee(s).

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