

Institutional Environment for Business Resiliency: The Role of Social Capital

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ABSTRACT

The different formal and informal institutional environments can influence business resiliency. The overall business landscape can be resilient by minimizing the agents of business failure. The UNSDG goal 16 emphasizes having strong institutions across all sectors of a system. Therefore, pinpointing the institutional weaknesses that lead to business failure can facilitate firms in becoming more resilient. Investigation regarding the interrelationship between formal and informal institutional environments on business failure remains an uncharted territory, which the present study capitalizes on. Using a country-level panel data analysis, the present study investigates the direct effect of weak formal institutional levels (political and economic) on business failure. The study also explores the moderating role of social capital between a fragile formal institutional environment and business failure. Theoretical and practical implications are discussed.

Keywords: Resilience, Business failure, Social capital

