

Article

Venture Capital Financing in a Crisis Economy: Entrepreneurial Risk, Venture Creation, and Perceived Firm Financial Performance

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Abstract

Financial crises severely constrain entrepreneurs' access to traditional financing, increasing the need for alternative funding mechanisms. Venture capital (VC) represents one such financing alternative and may also provide strategic and managerial support. However, evidence concerning how entrepreneurs perceive VC financing in crisis-affected economies remains limited. This study examines the associations between perceptions of equity-based VC financing, entrepreneurs' willingness to launch new ventures, and perceived firm financial performance while assessing the moderating roles of risk aversion and perceived VC coaching and mentoring. This study draws on cross-sectional survey data from 392 Lebanese entrepreneurs and entrepreneurially oriented individuals. The findings indicate that perceptions of equity-based VC financing are positively associated with entrepreneurs' willingness to launch new ventures, with this association becoming stronger at higher levels of respondent risk aversion. Perceptions of equity-based VC financing are also positively associated with perceived firm financial performance, with this association being stronger at higher levels of perceived VC coaching and mentoring. These findings represent perception-based associations and should not be interpreted as evidence of causal effects, temporal progression, or objectively measured financial performance.

Keywords: venture capital; entrepreneurial finance; crisis economy; entrepreneurial ecosystems; risk aversion; perceived firm financial performance; VC coaching and mentoring

1. Introduction

The association between financial structures and entrepreneurial outcomes is a central issue in entrepreneurial finance. Venture capital (VC) is an equity-based financing mechanism that may provide strategic and managerial support in addition to financial capital (Kato, 2025). Unlike debt financing, which generally involves predetermined repayment obligations and limited lender involvement in firm management, equity-based VC commonly entails active investor participation in value creation, strategic decision-making, and governance (Capizzi et al., 2026). Indeed, previous works have indicated that, through the provision of non-financial resources like administrative expertise, networks of professional contacts, and control, venture capitalists can decrease the levels of uncertainty and resolve issues related to agency problems (Kaplan & Strömberg, 2003; Sapienza, 1992). As such, a resource-based approach to this process deems these activities as valuable,



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limited, and hard-to-implement assets that help to promote a company's performance and competitiveness.

Prior empirical research associates VC financing with profitability, operational efficiency, and firm growth (Chemmanur et al., 2011; Kato & Chiloane-Phetla, 2022; Puri & Zarutskie, 2012). VC-backed firms may also benefit from stronger governance and improved access to external resources (Hellmann & Puri, 2002). However, the financial effects of debt financing are mixed and depend on firms' circumstances (Obuya, 2017). Moreover, most VC evidence comes from developed economies with relatively stable financial systems.

Although previous studies have extensively examined VC financing and entrepreneurial growth, several important gaps remain in the literature. First, prior research has primarily focused on the financial performance, growth, and survival of VC-backed firms, rather than on entrepreneurs' willingness to launch new ventures. While existing studies generally confirm the positive role of VC financing in business expansion and innovation (Kato, 2025; Kitić et al., 2025; Ressin, 2025; Song & Kutsuna, 2023), limited attention has been given to how equity-based VC financing is associated with entrepreneurial intentions and venture creation decisions. Second, previous literature has largely examined VC financing from a financial perspective, with comparatively less emphasis on the strategic and non-financial benefits provided by venture capitalists, such as mentoring, managerial expertise, networking opportunities, and reputational support. Consequently, the broader role of VC financing in encouraging entrepreneurial activity remains insufficiently explored. Third, most existing evidence comes from developed economies with relatively stable and well-functioning financial systems. Consequently, limited research examines how entrepreneurs evaluate equity-based VC when conventional bank financing becomes severely constrained. Lebanon provides a distinctive context for addressing these gaps. Since the banking sector collapse in 2019, liquidity shortages, capital controls, currency depreciation, declining investor confidence, and restricted bank lending have sharply constrained conventional debt financing (Mawad & Freiha, 2024; Berytech, 2024). These conditions have increased the potential relevance of alternative financing arrangements, including equity-based VC, as sources of both risk-sharing capital and strategic support.

Accordingly, this study examines the associations among perceptions of equity-based VC financing, willingness to launch new ventures, and perceived firm financial performance. It also evaluates whether entrepreneurial risk aversion and perceived VC coaching and mentoring condition these associations. By focusing on Lebanon, this study provides context-specific evidence from an entrepreneurial ecosystem in which conventional financial intermediation has been severely disrupted.

Consequently, four research questions guide this study, as follows. (1) Is equity-based VC financing positively associated with entrepreneurs' willingness to launch new ventures? (2) Does entrepreneurial risk aversion moderate the association between equity-based VC financing and entrepreneurs' willingness to launch new ventures? (3) Is equity-based VC financing positively associated with entrepreneurs' perceptions of firm financial performance? (4) Does perceived VC coaching and mentoring moderate the association between equity-based VC financing and perceived firm financial performance?

This study makes three distinct contributions to the entrepreneurial finance literature. First, it jointly examines two perception-based entrepreneurial outcomes that are usually considered separately: willingness to launch new ventures, and perceived firm financial performance. This provides a broader account of how equity-based VC financing is evaluated across venture creation and performance-related outcomes without implying a temporal sequence between them. Second, it identifies entrepreneurial risk aversion and perceived VC coaching and mentoring as theoretically relevant boundary conditions. The findings

indicate that the association between VC and willingness to launch new ventures is stronger at higher levels of risk aversion, whereas the association between VC and perceived firm financial performance is stronger at higher levels of perceived coaching and mentoring. This highlights both the risk-sharing relevance of equity financing and the perceived nonfinancial relevance of investor support. Third, this study provides context-specific evidence from Lebanon, where banking collapse, liquidity constraints, capital controls, and prolonged economic instability have severely restricted conventional financing. This setting supports a crisis-contingent refinement of entrepreneurial finance theory in which the relevance of external financing depends not only on financing preferences, but also on the feasibility of available alternatives.

2. Literature Review

2.1. Theoretical Underpinnings

This study integrates RBV, Signaling Theory, Tradeoff Theory, and Pecking Order Theory to explain complementary dimensions of equity-based VC financing in a crisis environment. VC financing simultaneously involves resource provision, information and legitimacy effects, risk-sharing considerations, and financing choice constraints.

RBV explains the strategic resources supplied by venture capitalists. Signaling Theory explains how VC affiliation may reduce uncertainty and enhance legitimacy. Tradeoff Theory highlights the balance between debt-related financial distress costs and equity-related ownership dilution, whereas Pecking Order Theory explains financing preferences under information asymmetry. These perspectives are particularly complementary in Lebanon because disruption to bank intermediation has changed the financing alternatives realistically available to entrepreneurs.

2.2. Resource-Based View

The RBV argues that firms achieve sustainable competitive advantage through valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). According to the RBV, organizational performance is not determined solely by financial resources, but also by intangible resources like managerial capabilities, strategic expertise, professional networks, and knowledge. Within the context of VC financing, venture capitalists provide more than financial support to entrepreneurial ventures. In addition to capital investment, venture capitalists often contribute mentoring, strategic guidance, governance support, managerial expertise, and networking opportunities that may strengthen entrepreneurial capabilities and improve firm performance. Such resources are difficult for competitors to imitate and may therefore contribute to long-term business growth and sustainability. Nason and Wiklund (2018) emphasized the importance of strategic resource management in achieving competitive advantage, while Battisti et al. (2022) demonstrated that VC initiatives may positively affect firm performance through the provision of unique organizational capabilities and strategic resources. Thus, RBV provides a theoretical basis for expecting positive associations between perceptions of VC financing and entrepreneurs' willingness to launch new ventures (H1), as well as for expecting perceived VC coaching and mentoring to condition the association between VC financing and perceived firm financial performance (H4).

2.3. Signaling Theory

Signaling Theory (Spence, 1973) is especially relevant to entrepreneurial finance because startups often operate under conditions of high uncertainty, limited historical financial information, and information asymmetry. VC financing may therefore act as a positive signal regarding the quality, growth potential, and credibility of a venture. The involvement

of reputable venture capitalists may increase confidence among entrepreneurs and external stakeholders by signaling firm legitimacy, strategic potential, and future growth opportunities. Connelly et al. (2011) noted that signaling mechanisms help reduce uncertainty in organizational environments characterized by imperfect information. Similarly, Hsu (2004) found that entrepreneurs were willing to accept lower valuations in exchange for affiliation with reputable venture capitalists due to the reputational and strategic benefits associated with such partnerships. Drover et al. (2018) further emphasized that credible and costly signals are more effective in influencing decision-making processes. Therefore, Signaling Theory provides a theoretical basis for expecting perceptions of VC financing to be positively associated with entrepreneurs' willingness to launch ventures (H1) and perceived firm financial performance (H3).

2.4. Tradeoff Theory

Tradeoff Theory explains how firms determine their financing structure by balancing the benefits and costs associated with debt financing (Myers, 1984). According to the theory, firms attempt to achieve an optimal capital structure by balancing the tax advantages of debt financing against the risks of financial distress and bankruptcy. As entrepreneurial ventures are generally deemed to have uncertain cash flows, high levels of business risk, limited collateral, and information asymmetry, excessive reliance on debt financing under such conditions may increase repayment pressure and financial vulnerability. In contrast, equity-based VC financing allows entrepreneurs to share risks with investors rather than committing to fixed repayment obligations. Myers (2001) argued that firms with high levels of intangible assets and uncertain growth opportunities are less likely to depend heavily on debt financing because of the associated financial distress risks. Qin (2024) further emphasized that firms seek financing structures that minimize financial distress while maximizing firm value. Thus, Tradeoff Theory helps explain why risk-averse entrepreneurs may evaluate equity-based VC favorably: compared with debt, it reduces fixed repayment obligations and permits risk sharing with investors (H2).

2.5. Pecking Order Theory

Pecking Order Theory (Myers & Majluf, 1984) proposes that firms generally prefer internal financing because it avoids the information asymmetry and issuance costs associated with external capital. When external financing becomes necessary, debt is typically preferred to equity, while external equity represents a later financing option because of ownership dilution and adverse selection concerns. This conventional hierarchy, however, implicitly assumes that debt remains reasonably accessible to firms.

In crisis-affected entrepreneurial environments, that assumption may no longer hold. Startups and young ventures commonly possess limited collateral, uncertain cash flows, and high information asymmetry, while a systemic banking crisis can further constrain credit supply and increase the effective cost and risk of borrowing. In Lebanon, the prolonged disruption of banking services and conventional financing channels has substantially altered entrepreneurs' access to debt financing (Mawad & Freiha, 2024). Under such conditions, the conventional pecking order becomes constrained not only by financing preferences, but also by financing feasibility.

Accordingly, the relevance of equity-based VC in this study should not be interpreted as a rejection of Pecking Order Theory. Rather, it reflects a contextual boundary of its conventional financing hierarchy. When debt becomes severely constrained or economically unattractive, external equity may become a comparatively viable financing alternative, despite the ownership dilution it entails. Moreover, VC may carry strategic resources, monitoring capabilities, and reputational benefits that distinguish it from passive external

equity. The Lebanese crisis therefore suggests a context-dependent refinement of Pecking Order Theory: under conditions of systemic credit market dysfunction, the ordering of external financing alternatives may become feasibility-constrained, increasing the relative relevance of equity-based VC.

The four perspectives also reveal theoretical tensions. Pecking Order Theory predicts that external equity is generally less attractive than internal funds or debt because of information asymmetry, adverse selection, and ownership dilution. Tradeoff Theory, however, suggests that equity becomes more attractive when the financial distress and repayment costs of debt exceed the cost of dilution.

RBV and Signaling Theory broaden this comparison by recognizing that equity-based VC may provide strategic resources, monitoring, professional networks, and legitimacy. These benefits are not captured by a financing hierarchy based only on information and issuance costs. The perspectives are therefore complementary under one boundary condition: the accessibility and economic feasibility of debt.

When debt remains available, the conventional pecking order may continue to explain financing preferences. When systemic credit market dysfunction restricts debt, risk sharing, strategic resources, and signaling benefits may increase the relative attractiveness of VC. We therefore propose a crisis-contingent refinement, rather than a rejection, of Pecking Order Theory. Because the present study does not directly compare internal finance, debt, and external equity, future research should test this proposition using explicit financing choice measures and comparative crisis and non-crisis samples.

2.6. Hypothesis Development

2.6.1. Equity-Based VC and Entrepreneurs' Willingness to Launch New Ventures

Prior research suggests that VC financing may generate reputational and strategic benefits beyond financial investment alone. Specifically, entrepreneurs may benefit from certification effects, strategic guidance, professional networking, and increased market legitimacy associated with reputable VC firms (Hsu, 2004). Samila and Sorenson's (2011) study reported that VC stimulates entrepreneurship, employment growth, and business formation by enabling entrepreneurs to pursue opportunities that may otherwise remain financially inaccessible.

In the same vein, Alashiq et al. (2025)'s emphasized that equity financing supports entrepreneurial growth and expansion through greater flexibility and reduced financing constraints. Although the authors acknowledged potential disadvantages such as ownership dilution and stakeholder conflict, they argued that equity financing provides important strategic advantages that may enhance entrepreneurial development and business sustainability. Likewise, Arshed et al. (2023) demonstrated that traditional debt-based financing systems may hinder entrepreneurial activity because of repayment burdens and financial pressure, particularly in uncertain economic environments. Their findings support the argument that participative and risk-sharing financing mechanisms may reinforce entrepreneurial development. Hadizada and Nippel (2022) further compared debt financing, regular equity financing, and Islamic profit-and-loss-sharing mechanisms and concluded that equity-based financing provides superior risk-sharing advantages compared to debt financing. According to the authors, entrepreneurs may prefer financing arrangements that reduce repayment obligations and distribute risks between investors and venture owners, particularly under conditions characterized by high uncertainty and amplified risk.

Although VC financing can dilute ownership and reduce managerial autonomy, the literature also identifies financial and strategic advantages, particularly for startups operating under uncertainty and restricted financing access. Accordingly, we propose

H1. *Equity-based VC financing is positively associated with entrepreneurs' willingness to launch new ventures.*

2.6.2. Moderating Role of Entrepreneurial Risk Aversion

Risk aversion, debt aversion, and financial risk are conceptually distinct. In this study, entrepreneurial risk aversion refers to an individual-level tendency to avoid risk and prefer stable and secure opportunities over uncertain entrepreneurial ventures. It is the only one of these three concepts operationalized in the empirical model. Debt aversion refers more specifically to reluctance to borrow or assume repayment obligations; it is discussed as a related financing preference but is not measured in this study. Financial risk, by contrast, refers to the objective or perceived exposure to financial loss, repayment pressure, insolvency, or venture failure arising from a financing or entrepreneurial decision. Thus, risk aversion is a personal disposition, debt aversion is a financing-specific preference, and financial risk is a characteristic or perceived consequence of the decision context. These terms are therefore not used interchangeably.

Unlike traditional debt financing, equity-based VC financing allows entrepreneurs to share risks with investors rather than relying on fixed repayment commitments. Consequently, VC financing may become particularly attractive for risk-averse entrepreneurs because it reduces the financial burden associated with debt repayment and lowers the perceived risk of venture failure. Hadizada and Nippel (2022) argued that equity-based financing mechanisms provide superior risk-sharing advantages compared to debt financing, especially in entrepreneurial environments characterized by high uncertainty and growth risk. They also confirmed that, although equity financing may reduce managerial incentives due to profit sharing, its risk-sharing benefits may outweigh these limitations for entrepreneurs operating under uncertain business conditions. Further, Paaso et al. (2025) reported that debt-averse entrepreneurs are less likely to utilize debt financing and government-supported debt programs, and that entrepreneurs with higher levels of debt aversion tend to avoid borrowing due to concerns related to repayment obligations and financial pressure. Instead, they prefer alternative financing arrangements that reduce financial risk exposure. However, debt aversion was not measured in the present study and is not treated as equivalent to entrepreneurial risk aversion. Likewise, Sarwar et al. (2020) found that risk aversion was one of the strongest predictors of financing and investment-related decisions. Although their study did not focus specifically on VC financing, Sarwar et al. (2020) showed that risk attitudes are associated with financial decision-making and investment intentions.

From a theoretical perspective, individuals with higher entrepreneurial risk aversion may evaluate equity-based VC more favorably because its risk-sharing structure avoids the fixed repayment obligations associated with debt. Accordingly, the positive association between perceptions of equity-based VC financing and willingness to launch a venture may be stronger at higher levels of entrepreneurial risk aversion. This argument concerns variation in respondents' general risk disposition; it does not assume that the study measures debt aversion or the objective level of financial risk. Accordingly, the following hypothesis is proposed:

H2. *Entrepreneurial risk aversion moderates the association between equity-based VC financing and entrepreneurs' willingness to launch new ventures, such that the positive association is stronger at higher levels of entrepreneurial risk aversion.*

2.6.3. VC Financing and Entrepreneurs' Perceptions of Firm Financial Performance

Previous studies have reported associations between VC financing and firm performance. Kato and Chiloane-Phetla (2022) reported that VC-financed firms in Uganda

achieved higher profitability than non-VC-financed firms. They also emphasized that institutional quality, public support, and market conditions shape VC outcomes. Similarly, [Becsky-Nagy and Fazekas \(2024\)](#) found that government-supported and hybrid VC arrangements do not necessarily outperform private VC because their effectiveness depends on regulation, investment management, and market conditions.

Evidence on performance remains mixed. [Haslanger et al. \(2023\)](#) found that corporate VC was positively associated with strategic and startup performance but not with financial performance. By contrast, [Dai et al. \(2022\)](#) reported positive associations between late-stage VC and SME performance, while [Elloumi \(2022\)](#) emphasized the financial resources, managerial support, and strategic expertise provided by VC investors. [Nguyen and O'Connor Keefe \(2021\)](#) further showed that VC-backed firms differed from non-VC-backed firms in leverage, cash flow volatility, and other financial policies.

According to [Hellmann and Puri \(2002\)](#), VC-backed firms are more likely to adopt professional management practices such as budgeting systems, performance measurement mechanisms, and cost-control procedures. In contrast, debt-financed firms often experience repayment pressure that may force managers to prioritize short-term liquidity over long-term efficiency and profitability. VC financing may therefore enhance profitability through better governance, managerial expertise, and operational effectiveness.

Further, [Chemmanur et al. \(2011\)](#) demonstrated that VC-financed firms tend to utilize resources more efficiently and achieve greater productivity compared to non-VC-financed firms. In addition, conversely to debt-financed firms that may face operational restrictions and resource allocation inefficiencies due to financial constraints and repayment obligations, VC-backed firms often benefit from strategic partnerships and asset-light operational strategies that improve efficiency without substantially increasing asset ownership.

[Rosenbusch et al. \(2013\)](#) reported a positive overall association between VC investment and funded-firm performance, although the magnitude varied across contexts. Accordingly, VC may support firm performance through strategic guidance, governance, managerial expertise, and growth rather than through debt-driven leverage.

VC financing contributes not only financial resources, but also strategic value that supports organizational growth ([Pantea & Tkacik, 2025](#)). [Limar \(2024\)](#) stresses that venture capitalists are often deemed resourceful for post-investment monitoring, strategic supervision, and accelerated market expansion processes. [Nain et al. \(2025\)](#) also noted that VC-backed firms often adopt aggressive growth-oriented strategies and professionalized operational structures that contribute to faster revenue growth compared to non-VC-financed firms.

Collectively, the reviewed literature suggests that equity-based VC financing may be positively associated with stronger perceptions of firm financial performance through improved governance systems, strategic support, operational efficiency, professional management practices, and growth-oriented business strategies. Therefore, the following overarching hypothesis is projected:

H3. *Equity-based VC financing is positively associated with entrepreneurs' perceptions of firm financial performance.*

2.6.4. Moderating Role of VC Coaching and Mentoring

[Arias Gonzales \(2026\)](#) notes that VC decision-making is not merely based on financial indicators, particularly in startup environments characterized by uncertainty and limited historical financial information. Instead, venture capitalists focus on qualitative dimensions like leadership traits, organizational culture, strategic flexibility, governance, and long-term sustainability. The emerging study further anticipates that VC firms act as strategic partners for entrepreneurs through mentoring and coaching; venture capitalists may therefore help entrepreneurs overcome operational challenges and improve the sustainability of their

ventures (Arias Gonzales, 2026). Against this backdrop, Zhang (2023) suggests that venture capitalists may supply entrepreneurs with mentoring opportunities, strategic insights, and access to professional networks that improve managerial decision-making and organizational growth potential. Nwanna and Osakwe (2021) further highlighted the importance of mentoring practices and business guidance in enhancing entrepreneurs' ability to acquire skills, access financial resources, and manage business operations effectively. Accordingly, the following hypothesis can be anticipated:

H4. *Perceived VC coaching and mentoring moderates the association between equity-based VC financing and perceived firm financial performance, such that the positive association is stronger at higher levels of perceived VC coaching and mentoring.*

As such, the proposed hypotheses are illustrated in the conceptual model (Figure 1), showcasing the interplay among the examined variables. The integrated framework identifies resource access, signaling, financial risk tradeoffs, and crisis-induced financing constraints as theoretically relevant explanations for the observed associations. However, these mechanisms were not operationalized as mediators and are therefore not treated as empirically established transmission pathways. The proposed model is intentionally parsimonious and focuses on two boundary conditions: entrepreneurial risk aversion and perceived VC coaching and mentoring. It does not empirically model potential mediating mechanisms such as perceived financial risk reduction, information asymmetry reduction, market legitimacy, or access to strategic resources. These mechanisms are theoretically relevant to the interpretation of VC financing, but they were not operationalized as separate constructs in the present survey and therefore are not treated as tested transmission channels.

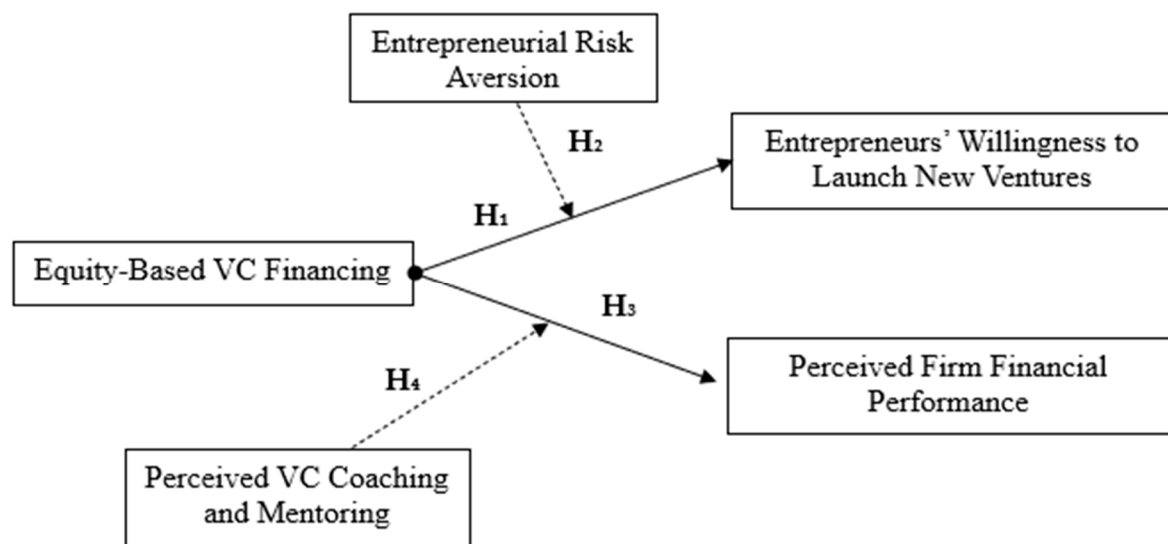


Figure 1. Study model.

3. Method

3.1. Research Context

Ever since the financial sector collapse in Lebanon, conducting business has become more difficult due to obtaining financing from borrowing channels. Consequently, many entrepreneurs began considering other options, such as VC, as it offers not only funding, but also management expertise, strategy, and even networking. Long before the advent of seed financing, VC, and other types of equity support, the Kafalat SMEs bank loan guarantee scheme was the primary source of aid for creative firm and startup continu-

ity in Lebanon (Touma & El Zein, 2021). Hence, VC is particularly salient across the Lebanese arena, where companies experience high uncertainty, liquidity problems, and organizational instability. These conditions provide the context in which this study examines entrepreneurs' evaluations of VC financing and perceived firm financial performance (Mawad & Freiha, 2024).

Lebanon's startup and VC ecosystem initially expanded following Banque du Liban's Circular 331, introduced in 2013 to encourage bank investment in knowledge economy enterprises. However, the banking collapse and subsequent financial crisis substantially disrupted this financing model, increasing the importance of alternative capital, grants, acceleration programs, and investor networks. Recent ecosystem initiatives indicate that institutional support for Lebanese startups has continued despite these constraints. For example, Impact Report describes renewed acceleration and ecosystem-development programs intended to support 330 startups, create 750 jobs, strengthen five support organizations, and provide up to USD 1.7 million in grants (Berytech, 2024). These developments indicate an entrepreneurial ecosystem that remains active but operates under severe financing and institutional constraints.

From the viewpoint of Lebanese entrepreneurs, they are eager to secure their enterprises, job positions, and sources of income; thus, they are prepared to change their approach to business processes. Several VC funds are still trying to find the ideal approach to assist businesses since the deal-making process is still challenging and perplexing (Mawad & Freiha, 2024). Conversely, Lebanese entrepreneurs remain reluctant, as they have fears about losing their reputation, intellectual property rights and control over the business and becoming mere shareholders (Chidiac et al., 2022).

3.2. Research Design

This study adopted a positivist philosophy, a deductive approach, and a quantitative research design. Data were collected through a cross-sectional self-report survey. Closed-ended questions were used for screening and demographic information. All construct items were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The constructs were equity-based venture capital financing (EVC), willingness to launch new ventures (WIL), risk aversion (RA), perceived firm financial performance (FP), and perceived VC coaching and mentoring (VCM). The details related to the operationalization of the variables are in Appendix A.

Before the main data collection, the questionnaire was reviewed by 20 specialists with expertise or professional experience in finance and entrepreneurship. The specialists evaluated the clarity and comprehensibility of the instructions and items, the relevance of each item to its intended construct, the adequacy of construct coverage, the appropriateness of the terminology for the Lebanese entrepreneurial context, and the suitability of the response format. They were also invited to identify ambiguous, repetitive, or potentially misleading wording. Based on their feedback, minor revisions were made to the screening questions and questionnaire instructions. The substantive measurement items were retained because the reviewers considered them sufficiently clear and relevant to their intended constructs. The pilot review was used to support content validity rather than to establish statistical reliability. The psychometric properties of the measures were subsequently evaluated using the full study sample.

All participants provided written informed consent. Survey responses were stored securely and treated as confidential.

3.3. Population and Sample

Convenience and snowball sampling were employed in this study. Eligible participants were Lebanese adults aged 18 years or older who were either current or former entrepreneurs or entrepreneurially oriented individuals who could evaluate the possibility of launching a future venture. Current business ownership and prior venture launch experience were not mandatory eligibility criteria, because one of the study's principal outcomes was willingness to launch a new venture. The sample therefore included current business owners, respondents with prior venture launch experience, and individuals without prior ownership or launch experience. For this reason, the full sample is described as comprising entrepreneurs and entrepreneurially oriented individuals rather than exclusively established entrepreneurs. Participants were recruited through word of mouth, email, social networks, and referrals. The survey was administered through Google Forms from April to June 2026. Of 400 candidates, 5 were excluded under the eligibility criteria, and 3 were excluded because they did not provide consent or complete the questionnaire, yielding a final sample of 392 respondents.

The adequacy of the sample size was assessed using an a priori statistical power analysis. Because the largest number of predictors directed at an endogenous construct in the structural model was three, including the relevant main and interaction effects, the analysis was based on a multiple regression model with three predictors. Using a significance level of 0.05, statistical power of 0.80, and a medium effect size of $f^2 = 0.15$, the minimum required sample was 77 respondents. The final sample of 392 substantially exceeded this requirement and was therefore considered adequate for estimating the proposed partial least squares modelling (PLS-SEM) model and its moderating relationships.

3.4. Data Analysis

PLS-SEM was employed using SmartPLS version 4.1.1.8 to estimate the proposed model and test the hypothesized direct and moderating relationships. PLS-SEM was considered appropriate because the study examines multiple latent constructs and interaction effects and assesses both the explanatory and predictive performance of the model. The five-point Likert scale indicators were treated as continuous variables. The analysis followed a two-stage procedure. First, the reflective measurement model was assessed by examining indicator reliability through the outer loadings, internal consistency reliability using Cronbach's alpha and composite reliability (CR), convergent validity using the average variance extracted (AVE), and discriminant validity using the heterotrait–monotrait ratio (HTMT). Outer loadings of at least 0.708, reliability coefficients of at least 0.70, AVE values above 0.50, and HTMT values below 0.85 were used as the assessment criteria. Second, the structural model was assessed by examining collinearity using the variance inflation factor (VIF), the statistical significance and relevance of the path coefficients, the coefficient of determination (R^2), effect sizes (f^2), and out-of-sample predictive performance using PLSpredict, including Q^2 predict, root mean square error (RMSE), and mean absolute error (MAE). The significance of the direct and interaction effects was assessed using bootstrapping with 5000 resamples and 95% confidence intervals. The moderating effects were estimated through the interaction terms between EVC and RA for willingness to launch new ventures and between EVC and VCM for perceived firm financial performance.

4. Results

4.1. Sample Profile

Table 1 presents the socio-demographic and entrepreneurial profile of the final sample of 392 respondents. The sample is relatively balanced in terms of gender, with males representing 52.7% and females 47.3% of respondents. Most participants fall within economically

active and entrepreneurially relevant age groups, particularly those aged between 26 and 35 years (31.6%) and between 36 and 45 years (28.5%). The educational profile is diverse, with respondents mainly holding bachelor's degrees (29.1%), high school qualifications (26.5%), technical or vocational diplomas (21.3%), and master's degrees (17.2%). From an entrepreneurial perspective, 73.5% of respondents currently own or co-own a business, 64.7% have previously launched a startup or entrepreneurial venture, and 55.4% expressed willingness to launch a new business in the future. This composition is consistent with the study's inclusion of both established and prospective entrepreneurs. Respondents who did not currently own or co-own a business (26.5%) or had never previously launched a venture (35.3%) remain relevant to the willingness-to-launch construct, which explicitly concerns prospective entrepreneurial behavior. However, because not all respondents had direct experience operating a business, the FP construct should be interpreted strictly as respondents' perceptions of the financial performance advantages associated with VC-financed firms rather than as reports of their own realized or audited firm performance.

Table 1. Sample profile of the participants.

Category	Subcategory	Percentage (%)
Gender	Female	47.3
	Male	52.7
Age	Between 18 and 25 years	15.4
	Between 26 and 35 years	31.6
	Between 36 and 45 years	28.5
	Between 46 and 55 years	19.8
	56 and above	4.7
Marital Status	Single	34.7
	Married	35.3
	Other	30.0
Educational Level	No formal education	1.8
	High school or equivalent	26.5
	Technical or vocational diploma	21.3
	Bachelor's degree	29.1
	Master's degree	17.2
	Doctoral degree	4.1
Currently own or co-own a business	Yes	73.5
	No	26.5
Ever launched a startup or entrepreneurial venture	Yes	64.7
	No	35.3
Willing to launch a new business/venture in the future	Yes	55.4
	No	44.6

4.2. Measurement Model Assessment

Because all constructs were measured using self-reported data collected from the same respondents through a single questionnaire, common method bias was assessed using the full collinearity VIF approach. As reported in Table 2, the full collinearity VIF values ranged from 1.034 to 1.495, substantially below the conservative threshold of 3.3. These

results suggest that common method bias is unlikely to represent a serious concern in the present data. Nevertheless, because the study relied on a cross-sectional, single-source questionnaire, the possibility of common-source measurement bias cannot be completely excluded and is acknowledged as a limitation. Internal consistency reliability was tested via α and CR. As reported in Table 2, all constructs show satisfactory reliability, as values exceed the recommended threshold of 0.70. Convergent validity was tested using AVE, and all factors demonstrate AVE values higher than the recommended threshold of 0.50.

Table 2. Measurement model assessment results.

Construct	Full Collinearity VIF	α	CR (rho_a)	CR (rho_c)	AVE
EVC	1.49538	0.879	0.882	0.917	0.734
FP	1.384667	0.908	0.910	0.931	0.731
RA	1.034284	0.873	0.900	0.912	0.721
VCM	1.08238	0.888	0.895	0.922	0.748
WIL	1.171337	0.884	0.886	0.920	0.742

Indicator reliability was also satisfactory. As reported in Table 3, all outer loadings exceeded the recommended threshold of 0.708 and ranged from 0.804 to 0.885. All loadings were statistically significant ($p < 0.001$); therefore, no indicators were removed.

Table 3. Indicator outer loadings.

Construct	Indicator	Outer Loading
Equity-based VC financing	EVC1	0.859
	EVC2	0.850
	EVC3	0.877
	EVC4	0.841
Perceived firm financial performance	FP1	0.883
	FP2	0.804
	FP3	0.868
	FP4	0.850
	FP5	0.867
Risk aversion	RA1	0.885
	RA2	0.843
	RA3	0.824
	RA4	0.844
Perceived VC coaching and mentoring	VCM1	0.881
	VCM2	0.866
	VCM3	0.856
	VCM4	0.856
Willingness to launch new ventures	WIL1	0.852
	WIL2	0.870
	WIL3	0.862
	WIL4	0.861

Note: All outer loadings were statistically significant at $p < 0.001$. Table 4 reports the HTMT values used to assess discriminant validity. All values were below the conservative threshold of 0.85, indicating satisfactory discriminant validity among the constructs.

Table 4. HTMT.

Path	HTMT
FP <-> EVC	0.560
RA <-> EVC	0.164
RA <-> FP	0.101
VCM <-> EVC	0.241
VCM <-> FP	0.283
VCM <-> RA	0.048
WIL <-> EVC	0.412
WIL <-> FP	0.245
WIL <-> RA	0.167
WIL <-> VCM	0.116

Inner VIF values were all below 3.3 (Table 5), indicating that collinearity was not a concern in the structural model.

Table 5. Multicollinearity assessment using VIF.

Path	VIF
EVC -> FP	1.052
EVC -> WIL	1.022
RA -> WIL	1.022
RA × EVC -> WIL	1.001
VCM -> FP	1.054
VCM × EVC -> FP	1.012

4.3. Structural Model Assessment

Table 6 shows the R^2 values for the endogenous constructs in the structural model. The structural model explains 30.2% of the variance in WIL and 34.6% of the variance in FP, indicating moderate explanatory power.

Table 6. Coefficient of determination (R^2) of endogenous constructs.

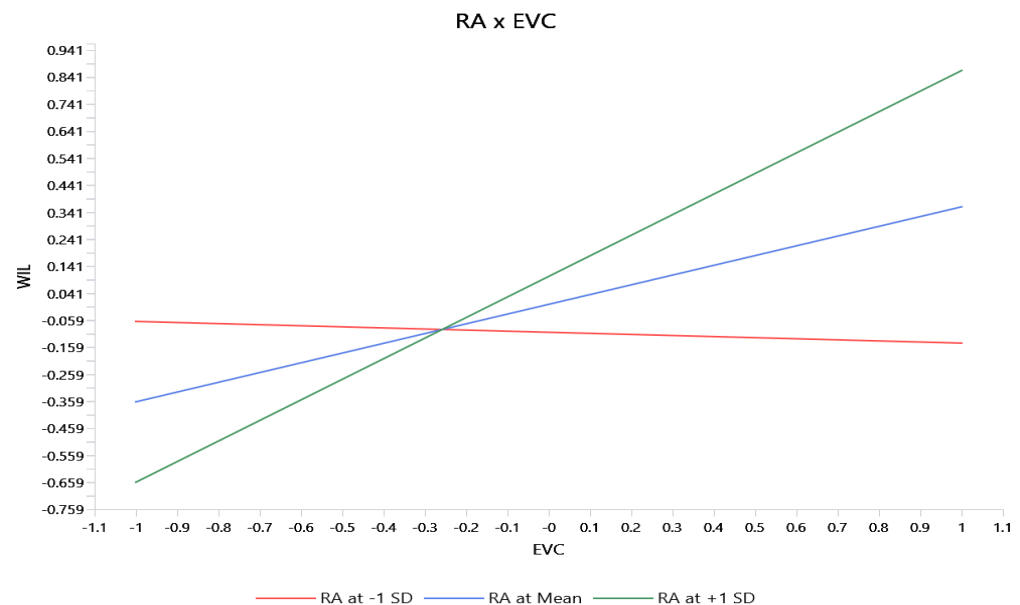
Construct	R-Square	R-Square Adjusted
FP	0.346	0.341
WIL	0.302	0.297

4.4. Hypothesis Testing

The statistical results from the structural model are reported in Table 7 and Figure 2. First, EVC is found to be significantly and positively associated with entrepreneurs' WIL ($\beta = 0.361$, $t = 8.082$, $p < 0.001$). Second, RA positively moderates the association between EVC and WIL ($\beta = 0.401$, $t = 8.914$, $p < 0.001$). Third, EVC is found to be significantly and positively associated with FP ($\beta = 0.487$, $t = 12.428$, $p < 0.001$). Finally, VCM positively moderates the association between EVC and FP ($\beta = 0.267$, $t = 6.326$, $p < 0.001$).

Table 7. Structural model results and hypothesis testing.

Path	β	T Statistics	<i>p</i> Values	Hypothesis Testing Result
EVC → WIL	0.361	8.082	0.000	H1 supported
RA × EVC → WIL	0.401	8.914	0.000	H2 supported
EVC → FP	0.487	12.428	0.000	H3 supported
VCM × EVC → FP	0.267	6.326	0.000	H4 supported

**Figure 2.** Moderating effect of RA.

To facilitate the interpretation of the significant moderating effects, simple slope plots were generated at low (−1 standard deviation), mean, and high (+1 standard deviation) levels of the respective moderators. As shown in Figure 2, the positive association between EVC and WIL becomes stronger as RA increases. At a low level of RA, the slope is nearly flat, whereas at the mean and high levels of RA, EVC is increasingly positively associated with WIL. This pattern supports H2.

Similarly, Figure 3 shows that the positive association between EVC and perceived FP becomes stronger at higher levels of VCM. The slope is positive at all three levels of VCM but is substantially steeper when VCM is high, supporting H4. These plots illustrate conditional associations and should not be interpreted as evidence of causal effects.

Figure 4 presents the estimated full-sample model. Consistent with Table 3, all indicator loadings exceeded 0.708 and were statistically significant ($p < 0.001$).

The results from the model's predictive relevance assessment in Table 8 show that both endogenous constructs achieved positive Q^2 predict values. FP recorded a Q^2 predict value of 0.331, while entrepreneurs' WIL recorded a value of 0.286. Since both values are above zero, the results indicate that the model has predictive relevance for the two dependent constructs. More specifically, the model demonstrates stronger predictive relevance for firm performance than for willingness to launch new ventures. In addition, RMSE and MAE values show the level of prediction error associated with each construct. Thus, these findings support the predictive adequacy of the structural model and indicate that the selected predictors provide meaningful explanatory and predictive value for the main endogenous constructs.

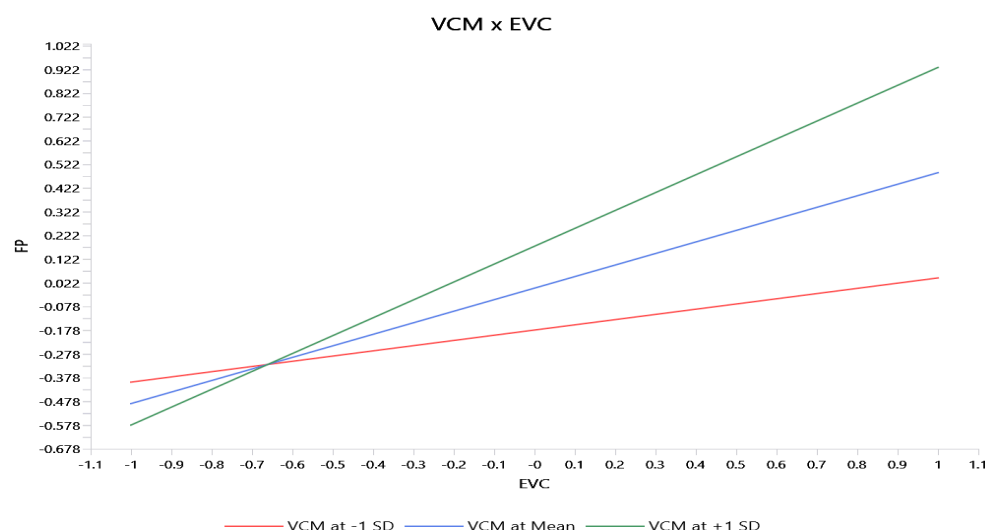


Figure 3. Moderating effect of VCM.

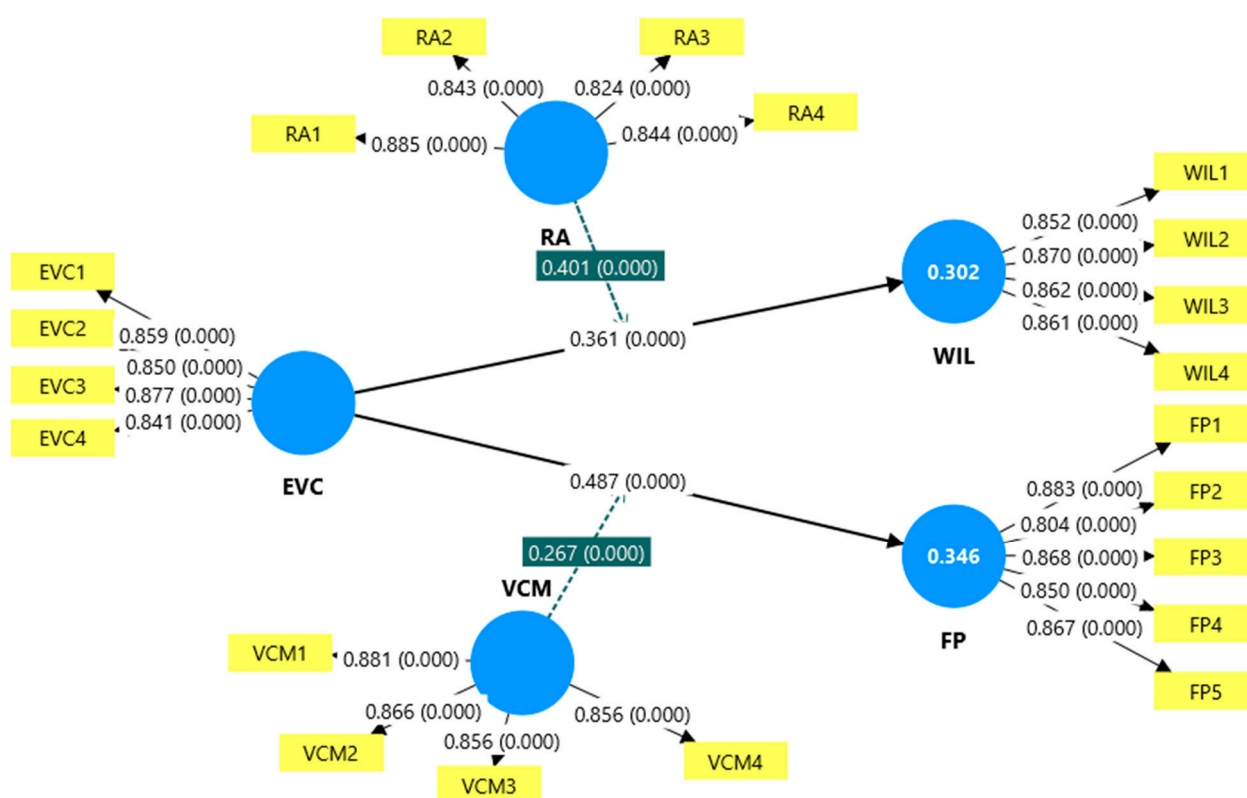


Figure 4. Path diagram.

Table 8. Predictive relevance assessment of the structural model.

Construct	Q ² predict	RMSE	MAE
FP	0.331	0.822	0.674
WIL	0.286	0.849	0.696

4.5. Robustness Analysis of Hypothesized Structural Associations Using the Experienced Entrepreneur Subsample

To assess whether the findings concerning perceived firm financial performance were influenced by the inclusion of respondents without prior venture launch experience, the

structural model was re-estimated using only respondents who reported having previously launched a startup or entrepreneurial venture ($n = 254$). Respondents who had never launched a venture were excluded from this supplementary analysis. The same model specification and estimation procedures applied to the full sample were retained, including the main effects of the moderators and the interaction terms.

The reliability and validity of the measurement model were reassessed for the restricted subsample. As reported in Table 9, Cronbach's alpha values ranged from 0.868 to 0.915, and CR values ranged from 0.907 to 0.936, exceeding the recommended threshold of 0.70. The AVE values ranged from 0.709 to 0.764, supporting convergent validity.

Table 9. Reliability and convergent validity for the venture-experienced subsample.

Construct	Cronbach's Alpha	CR (rho_a)	CR (rho_c)	AVE
EVC	0.895	0.898	0.927	0.760
FP	0.915	0.918	0.936	0.746
RA	0.868	0.945	0.907	0.709
VCM	0.888	0.891	0.923	0.749
WIL	0.897	0.905	0.928	0.764

In addition, all HTMT values (Table 10) were below 0.85, with a maximum value of 0.575, supporting discriminant validity.

Table 10. HTMT for the venture-experienced subsample.

Path	HTMT
FP <-> EVC	0.575
RA <-> EVC	0.180
RA <-> FP	0.096
VCM <-> EVC	0.261
VCM <-> FP	0.331
VCM <-> RA	0.071
WIL <-> EVC	0.420
WIL <-> FP	0.288
WIL <-> RA	0.181
WIL <-> VCM	0.172

The inner VIF values ranged from 1.000 to 1.064 (Table 11), indicating that collinearity did not affect the structural estimates.

Table 11. VIF for the venture-experienced subsample.

Path	VIF
EVC -> FP	1.061
EVC -> WIL	1.027
RA -> WIL	1.027
RA x EVC -> WIL	1.000
VCM -> FP	1.064
VCM x EVC -> FP	1.014

The robustness results presented in Table 12 are substantively consistent with the full-sample findings. In the restricted subsample, EVC remained positively associated with perceived firm financial performance ($\beta = 0.497$, $t = 10.440$, $p < 0.001$). This coefficient is closely comparable to the full-sample estimate ($\beta = 0.487$). The moderating association involving VC coaching and mentoring also remained positive and statistically significant ($\beta = 0.265$, $t = 5.089$, $p < 0.001$), closely matching the full-sample coefficient of 0.267. The associations involving WIL also remained stable. EVC was positively associated with WIL ($\beta = 0.365$, $t = 6.877$, $p < 0.001$), while the interaction between EVC and RA remained positive and significant ($\beta = 0.445$, $t = 7.175$, $p < 0.001$).

Table 12. Robustness analysis of the hypothesized structural associations.

Path	Full-Sample β	Subsample β	Full-Sample f^2	Subsample f^2	t	p
EVC $\rightarrow$ WIL	0.361	0.365	0.183	0.200	6.877	<0.001
RA $\times$ EVC $\rightarrow$ WIL	0.401	0.445	0.226	0.291	7.175	<0.001
EVC $\rightarrow$ FP	0.487	0.497	0.345	0.373	10.440	<0.001
VCM $\times$ EVC $\rightarrow$ FP	0.267	0.265	0.107	0.111	5.089	<0.001

The effect sizes were also stable across the two analyses. For EVC $\rightarrow$ FP, f^2 increased from 0.345 in the full sample to 0.373 in the experienced subsample, moving from just below to above the conventional large-effect threshold of 0.35. The effect of EVC on WIL remained medium ($f^2 = 0.183$ versus 0.200), as did the moderating effect of risk aversion ($f^2 = 0.226$ versus 0.291). The moderating effect of VC coaching and mentoring on FP remained small ($f^2 = 0.107$ versus 0.111). These comparable effect sizes further indicate that the principal findings were not driven by respondents without venture-launch experience.

The model's explanatory and predictive performance also remained satisfactory in the restricted subsample. The R^2 value increased from 0.346 to 0.377 for FP and from 0.302 to 0.348 for WIL. Similarly, the Q^2 -predict value increased from 0.331 to 0.355 for FP and from 0.286 to 0.327 for WIL. The prediction errors were also slightly lower than those obtained from the full sample (Table 13).

Table 13. Explanatory and predictive performance for the venture-experienced subsample.

Construct	Full Sample R^2	Subsample R^2	Adjusted R^2	Full Sample Q^2 -predict	Subsample Q^2 -predict	RMSE	MAE
FP	0.346	0.377	0.369	0.331	0.355	0.809	0.655
WIL	0.302	0.348	0.340	0.286	0.327	0.827	0.669

Thus, excluding respondents who had never launched a venture produced substantively unchanged estimates for the hypothesized associations, particularly EVC $\rightarrow$ FP and VCM $\times$ EVC $\rightarrow$ FP. This consistency indicates that the principal associations involving perceived firm financial performance were not attributable to the inclusion of respondents without prior venture launch experience.

As shown in Figure 5, all indicator loadings in the venture-experienced subsample exceeded the recommended threshold of 0.708, ranging from 0.807 to 0.902, and were statistically significant ($p < 0.001$), confirming satisfactory indicator reliability. Therefore, no indicators were removed from the measurement model.

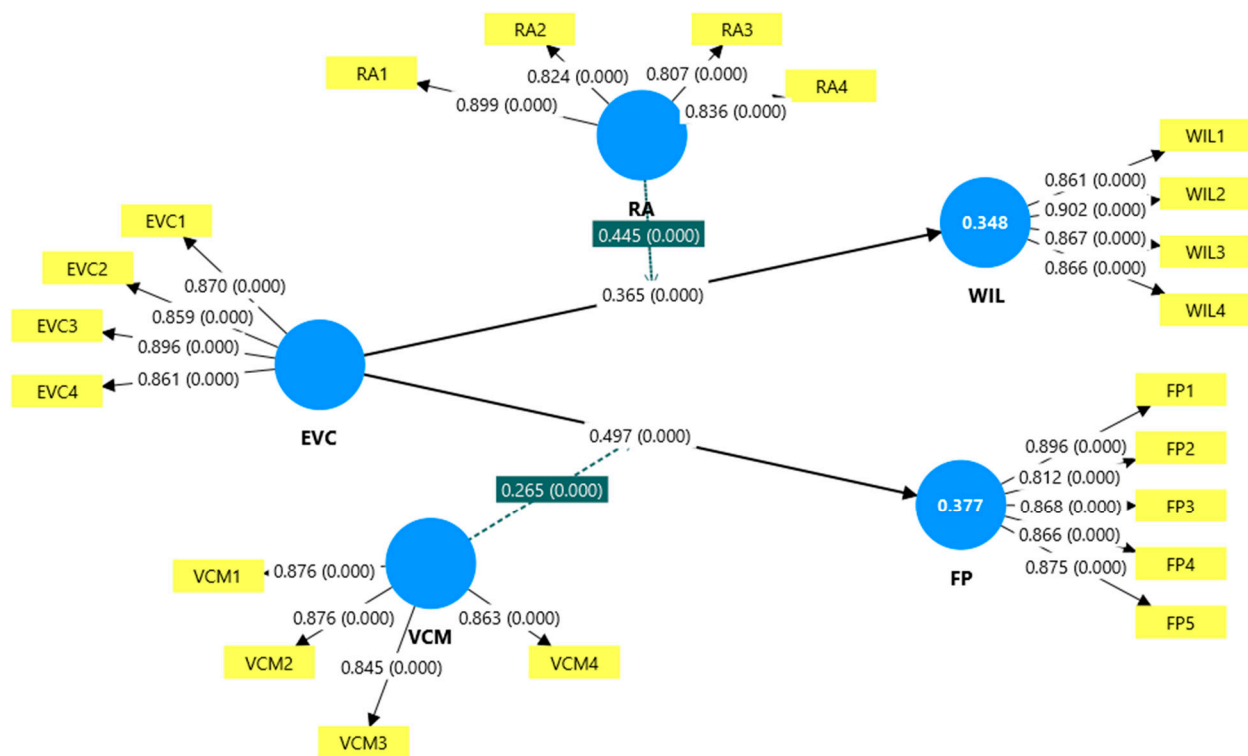


Figure 5. Path diagram for subsample.

5. Discussion

The results reveal a positive association between favorable perceptions of equity-based VC financing and entrepreneurs' willingness to launch new ventures, supporting H1. In Lebanon, this association may be understood in light of the prolonged disruption of conventional financial intermediation. The banking collapse, liquidity restrictions, currency depreciation, limited availability of credit, and uncertainty surrounding debt repayment have narrowed the financing options available to entrepreneurs. In such an environment, equity-based VC may make venture creation appear more feasible because it provides access to capital without requiring fixed repayments. Respondents may also value the strategic guidance, professional networks, and legitimacy potentially associated with VC involvement. The result therefore does not indicate that VC financing causes venture creation; rather, it suggests that individuals who evaluate equity-based VC more favorably also express greater willingness to launch a venture when conventional financing alternatives are severely constrained. This interpretation is consistent with prior literature emphasizing the financial, strategic, risk-sharing, and legitimacy-related relevance of equity financing and VC involvement (Hsu, 2004; Samila & Sorenson, 2011; Hadizada & Nippel, 2022; Arshed et al., 2023; Alashiq et al., 2025).

Risk aversion positively moderates the association between perceptions of equity-based VC financing and willingness to launch new ventures, supporting H2. This finding is particularly meaningful in Lebanon, where entrepreneurs face not only ordinary business uncertainty, but also exchange rate volatility, weakened purchasing power, restricted access to deposits, unstable demand, and limited protection from institutional and financial shocks. Under these conditions, the fixed repayment obligations associated with debt may appear especially burdensome to risk-averse individuals. Equity-based VC, by contrast, allows investment risk to be shared between entrepreneurs and investors. Accordingly, highly risk-averse respondents may associate favorable perceptions of VC more strongly with willingness to launch a venture because VC is perceived as reducing exposure to fixed

repayment pressure—not because the study demonstrates that VC objectively reduces venture risk. This interpretation is compatible with evidence concerning the risk-sharing advantages of equity financing and the role of individual risk dispositions in financing and investment decisions (Hadizada & Nippel, 2022; Sarwar et al., 2020; Paaso et al., 2025).

The findings also show a positive association between perceptions of equity-based VC financing and perceived firm financial performance, supporting H3. In the Lebanese crisis context, respondents may view VC-backed firms as financially stronger because such firms are perceived to have access to capital, strategic expertise, governance support, and professional networks that are otherwise difficult to obtain. These resources may be considered particularly valuable when firms face scarce liquidity, disrupted banking services, unstable operating costs, and limited opportunities to obtain external finance. VC affiliation may also be interpreted as a signal that a venture has been evaluated by professional investors and possesses credible growth potential. These considerations may explain why respondents who evaluate equity-based VC more favorably also report stronger perceptions of profitability, asset efficiency, investor returns, and revenue growth associated with VC-financed firms. This interpretation is consistent with previous research linking VC financing with favorable organizational and financial outcomes. Nevertheless, because the present study measures respondents' perceptions rather than audited financial outcomes, it does not demonstrate that VC financing objectively improves firm performance.

Perceived VC coaching and mentoring positively moderate the association between equity-based VC financing and perceived firm financial performance, supporting H4. The association becomes stronger when respondents perceive greater coaching and mentoring from VC investors. This result indicates that respondents do not evaluate VC solely according to the capital provided; they also attach importance to its perceived nonfinancial contributions. Such support may be especially valued in Lebanon, where entrepreneurs must navigate institutional uncertainty, volatile markets, limited access to specialized expertise, and resource constraints. Strategic advice, managerial guidance, industry knowledge, and access to professional networks may therefore be perceived as complementing financial investment and helping firms respond to the challenges of the crisis environment. This provides a context-based explanation for why the association between EVC and perceived financial performance is stronger at higher levels of perceived coaching and mentoring. However, because the study did not measure these mechanisms separately or observe actual post-investment outcomes, their roles remain theoretically plausible explanations rather than empirically established pathways. This interpretation is consistent with Arias Gonzales (2026), Zhang (2023), and Nwanna and Osakwe (2021).

The experienced entrepreneur subsample analysis strengthens the robustness of the perceived financial performance findings. After excluding respondents who had never launched a venture, the association between EVC and perceived firm financial performance remained positive and statistically significant ($\beta = 0.497$, $p < 0.001$). The moderating association involving perceived VC coaching and mentoring also remained significant ($\beta = 0.265$, $p < 0.001$). These estimates were substantively consistent with the respective full-sample coefficients of 0.487 and 0.267. Thus, the main perceived financial performance findings were not attributable to the inclusion of respondents without prior venture launch experience. Nevertheless, prior entrepreneurial experience does not necessarily indicate direct experience with VC financing, and this supplementary analysis does not transform perceived firm financial performance into an objective financial measure.

In brief, the findings suggest that the relevance attributed to equity-based VC in Lebanon arises from the interaction of several crisis-specific conditions: restricted access to debt, heightened exposure to financial uncertainty, scarcity of strategic resources, and the need for investor guidance and legitimacy. In this setting, respondents may perceive VC as

both a risk-sharing financing alternative and a potential source of nonfinancial support. The findings consequently provide a contextual explanation of why favorable evaluations of VC are associated with entrepreneurial willingness and perceived firm financial performance. They do not establish that VC causes venture creation, entrepreneurial resilience, or actual financial improvement. Whether the same patterns apply to other crisis-affected economies requires comparative evidence across different banking systems, institutional arrangements, and crisis conditions.

6. Theoretical Implications

This study provides perception-based evidence that can be interpreted through the RBV, Signaling Theory, Tradeoff Theory, and Pecking Order Theory. The empirical findings establish positive associations between perceptions of equity-based VC financing, willingness to launch new ventures, and perceived firm financial performance, together with the moderating roles of risk aversion and perceived VC coaching and mentoring. The theoretical mechanisms discussed below provide possible explanations for these findings but were not directly tested as mediating pathways.

The findings are consistent with an RBV interpretation of equity-based VC financing. In particular, the positive association between EVC and perceived firm financial performance becomes stronger at higher levels of perceived VC coaching and mentoring. This finding suggests that respondents attach value to the perceived nonfinancial resources associated with VC involvement. These resources may include industry knowledge, managerial expertise, strategic guidance, and professional networks. However, the study did not operationalize strategic resource access as a distinct construct or test it as a mediator. The results should therefore be interpreted as being consistent with the RBV rather than as direct evidence that VC resources improve actual firm performance.

The findings are also compatible with a Signaling Theory interpretation. The respondents may view VC involvement as an indication of venture credibility, growth potential, and external validation, which may help explain the positive association between favorable perceptions of VC financing and willingness to launch new ventures. Nevertheless, market legitimacy, certification effects, and uncertainty reduction were not directly measured. Their roles therefore represent theoretically plausible explanations rather than empirically established transmission mechanisms.

The positive association between perceptions of equity-based VC financing and willingness to launch ventures, together with the moderating role of risk aversion, is consistent with Tradeoff Theory. Respondents with higher risk aversion may evaluate equity financing more favorably because its risk-sharing structure avoids the fixed repayment obligations associated with debt. However, the study did not measure actual bankruptcy risk, personal financial exposure, debt aversion, or realized financing decisions. The findings therefore indicate variation in perception-based associations rather than demonstrating that VC reduces financial risk or changes entrepreneurs' financing behavior.

The findings also permit a context-sensitive interpretation of Pecking Order Theory. This study does not directly test whether entrepreneurs rank equity-based VC above internal financing or debt. Instead, it shows that favorable perceptions of VC financing are positively associated with entrepreneurial willingness in a context where conventional banking channels have been severely constrained. The conventional pecking order assumes that firms can generally progress from internal financing to debt before resorting to external equity. In a systemic credit crisis, however, debt may become difficult to access or economically unattractive, potentially constraining the feasible financing hierarchy. The Lebanese context therefore raises the theoretical possibility that financing evaluations reflect not only preferences arising from information asymmetry, but also institutional constraints on the

availability of capital. Under such conditions, equity-based VC may acquire greater perceived relevance despite ownership dilution, particularly when respondents also associate it with strategic and reputational resources. This interpretation constitutes a proposition for future testing rather than a financing hierarchy established by the present findings.

Collectively, the four theoretical perspectives provide complementary interpretations of the findings. RBV highlights the potential relevance of strategic resources and capabilities, while Signaling Theory points to possible legitimacy and uncertainty-reduction functions. Tradeoff Theory explains why fixed repayment obligations and financial-distress considerations may become especially salient in uncertain environments, whereas Pecking Order Theory provides the conventional financing hierarchy benchmark against which the crisis context can be interpreted. The integrated framework proposes that financing feasibility, perceived risk, strategic resource access, and legitimacy may become interdependent when conventional financial intermediation is disrupted. Because these mechanisms were not operationalized or tested as mediators, their proposed interdependence remains a theoretical interpretation and an item on the agenda for future empirical investigation. The direct empirical contribution is therefore limited to the observed perception-based associations and moderating relationships, while the proposed theoretical mechanisms and crisis-contingent financing hierarchy require separate testing in future research.

7. Practical Implications

This study has implications for entrepreneurs, venture capitalists, policymakers, startup support organizations, and managers. The findings suggest that strengthening the VC ecosystem may warrant consideration within Lebanese entrepreneurship policy and financial risk management. Given this study's non-probability single-country sample, extending this implication to other crisis-affected economies requires further comparative research.

Entrepreneurs may consider equity-based VC as one potential strategic financing option, particularly during the early stages of venture development and in contexts where conventional credit is constrained. Unlike debt financing, equity-based VC does not impose fixed repayment obligations and may therefore be viewed favorably by more risk-averse entrepreneurs. However, the findings do not demonstrate that access to VC reduces personal financial risk or accelerates actual venture creation. Entrepreneurs should evaluate the potential benefits of VC alongside ownership dilution, investor involvement, governance requirements, and possible loss of managerial autonomy.

The stronger association between EVC and perceived firm financial performance at higher levels of perceived coaching and mentoring suggests that respondents value the nonfinancial support associated with VC investment. VC firms may therefore consider complementing financial investment with managerial expertise, strategic guidance, networking opportunities, and industry knowledge. Because this study measures perceptions rather than realized performance or successful exits, these recommendations should be evaluated through future research using objective post-investment outcomes.

Founders and managers may consider engaging with VC investors for strategic advice, managerial expertise, and access to professional networks. The findings indicate that respondents associate such support with stronger perceived firm financial performance; they do not demonstrate that investor support improves actual startup performance. Accordingly, the potential value of these relationships should be assessed alongside the costs and governance implications of VC involvement.

Policymakers may consider measures that facilitate responsible VC investment, such as investor protection frameworks, transparent co-investment arrangements, and programs linking financing with entrepreneurial mentoring. However, the present findings do not

establish that such interventions increase venture creation or objective firm performance. Their effectiveness should be evaluated using longitudinal program data and objective indicators of startup formation, survival, profitability, and growth.

8. Limitations and Further Research

Despite its contributions, this study has several limitations.

First, convenience and snowball sampling were used to recruit participants through accessible networks, referrals, email, and social media. Because the sample was neither drawn from a population-based random frame nor stratified by industry, entrepreneurial stage, or geographic region, it may overrepresent particular segments of the Lebanese entrepreneurial ecosystem. The sample is therefore not statistically representative of all Lebanese entrepreneurs and prospective entrepreneurs, and the findings cannot be generalized probabilistically to that population. Future studies should employ probability-based or stratified sampling across industries, venture stages, and Lebanese regions where feasible.

Second, this study is confined to Lebanon, whose prolonged banking collapse, capital controls, currency depreciation, liquidity constraints, and distinctive regulatory, institutional, and sociocultural conditions constitute an unusually severe entrepreneurial finance context. These conditions may shape respondents' evaluations of debt, equity-based VC financing, risk sharing, and investor support. The findings should therefore be interpreted as context-specific and should not be assumed to apply directly to other crisis-affected or emerging economies. Cross-country comparative research is needed to determine whether the observed relationships remain stable across different banking systems, capital-control regimes, regulatory environments, and institutional contexts.

Third, this study relies on cross-sectional, self-reported data collected from the same respondents using a single questionnaire. Consequently, the observed associations may be affected by common method bias or common-source measurement bias, including consistency motives, social desirability tendencies, and respondents' generally favorable or unfavorable beliefs about VC financing. Although the full collinearity VIF values ranged from 1.034 to 1.495, below the conservative threshold of 3.3, this diagnostic assessment cannot completely exclude common method bias. In addition, perceived firm financial performance captures respondents' evaluations of profitability, asset efficiency, investor returns, and revenue growth rather than audited or objectively observed firm-level outcomes. Although re-estimating the model among respondents with prior venture launch experience produced substantively unchanged results, prior entrepreneurial experience does not necessarily imply direct experience receiving VC financing, and this robustness analysis cannot substitute for objective financial evidence. Future studies should use temporal, methodological, or source separation where feasible and triangulate perceptual measures with audited financial statements, revenue and profitability records, documented VC financing contracts, and post-investment support records.

Fourth, the EVC and perceived firm financial performance measures were developed specifically for this study rather than adopted from previously validated scales. Their development was guided by the theoretical framework and prior literature, and their content was reviewed by 20 specialists in finance and entrepreneurship. The full-sample measurement assessment also supported indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Nevertheless, satisfactory psychometric performance within a single sample does not establish that the measures will demonstrate equivalent validity across other populations, institutional environments, or crisis contexts. The findings may also be influenced by the wording and conceptual coverage of the newly developed items. Future research should further validate these measures using independent samples, exploratory and confirmatory factor analyses, test-retest reliability,

criterion and nomological validity assessments, and cross-cultural measurement invariance testing. Where suitable validated alternatives exist, future studies should also compare the newly developed measures with established scales.

Fifth, the model identifies entrepreneurial risk aversion and perceived VC coaching and mentoring as boundary conditions but does not test the internal mechanisms through which equity-based VC may relate to entrepreneurial outcomes. Perceived financial risk reduction, information asymmetry reduction, market legitimacy, and strategic resource access were not operationalized as separate mediators. Future research should measure these constructs explicitly and employ parallel or sequential mediation models to identify the pathways linking perceptions of equity-based VC financing to entrepreneurial willingness and perceived firm financial performance.

Sixth, this study does not examine heterogeneity across VC types, industries, venture stages, or demographic groups. The questionnaire did not systematically distinguish among private, government-backed, and corporate VC exposure or generate sufficiently balanced strata by industry and venture stage. Although basic demographic characteristics were collected, no a priori subgroup hypotheses were developed, and multiple post hoc comparisons could increase the risk of data-driven inference and Type I error. Future studies should formulate theoretically grounded subgroup hypotheses, use stratified sampling, ensure adequate group-specific statistical power, establish measurement invariance, and then conduct PLS-MGA across relevant VC, sectoral, venture-stage, and demographic groups.

Finally, several potentially relevant confounders, including financial literacy, household wealth, access to startup subsidies, and exposure to industrial policies, were not measured and therefore could not be controlled. Their omission may affect the estimated associations. Furthermore, although the experienced entrepreneur subsample analysis provides evidence of result stability, alternative-scale replacement, placebo testing, and CB-SEM re-estimation were not conducted. Combined with the cross-sectional design, these limitations mean that the coefficients should not be interpreted as unbiased causal effects. Future research should incorporate theoretically specified controls and alternative validated measures and, where feasible, use alternative estimators, longitudinal designs, matched samples, instrumental variables, or quasi-experimental approaches to strengthen robustness and causal identification.

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Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.

Data Availability Statement: Data is available from the corresponding author upon request.

Conflicts of Interest: The authors declare no conflict of interest.

Appendix A. Construct Operationalization and Measurement Items

Construct	Operational Definition	Code	Measurement Item	Source
Equity-based VC financing (EVC)	Respondents' evaluation of equity-based VC as an attractive, suitable, supportive, and effective financing option for startups and early-stage businesses.	EVC1	In my opinion, venture capital equity financing is an attractive financing option for startups and early-stage businesses.	Author-developed
		EVC2	In my opinion, venture capital equity financing is more suitable for startup growth than non-venture capital financing.	Author-developed
		EVC3	In my opinion, venture capital equity financing provides strong long-term support for startups and early-stage businesses.	Author-developed
		EVC4	In my opinion, venture capital equity financing helps entrepreneurs grow their businesses more effectively.	Author-developed
Willingness to launch new ventures (WIL)	Respondents' stated willingness and confidence to establish a new venture when equity-based VC financing is available.	WIL1	Access to venture capital financing would encourage me to launch a new venture.	Adapted from Nandan and Saurabh (2016)
		WIL2	I would be more willing to start a business if venture capital funding were available.	Adapted from Nandan and Saurabh (2016)
		WIL3	Venture capital equity financing increases my confidence in launching a startup or new business.	Adapted from Nandan and Saurabh (2016)
		WIL4	I would consider launching a high-growth venture if supported by venture capital financing.	Adapted from Nandan and Saurabh (2016)
Risk aversion (RA)	Respondents' preference for security and avoidance of risk, gambling, and uncertain entrepreneurial opportunities.	RA1	I don't like to take risks.	Aren and Hamamci (2020)
		RA2	Compared to most people I know, I don't like to gamble on things.	Aren and Hamamci (2020)
		RA3	I am not willing to take risks when starting a business.	Adapted from Haqqani et al. (2025)
		RA4	I prefer stable and secure opportunities over risky entrepreneurial ventures.	Adapted from Haqqani et al. (2025)

Construct	Operational Definition	Code	Measurement Item	Source
Perceived firm financial performance (FP)	Respondents' perceptions of the financial strength, profitability, asset efficiency, investor returns, and revenue-growth advantages associated with VC-financed firms relative to non-VC-financed firms.	FP1	In my opinion, firms financed through venture capital equity financing are financially stronger than firms financed through non-venture capital financing.	Author-developed
		FP2	In my opinion, firms financed through venture capital equity financing achieve higher profitability.	Author-developed
		FP3	In my opinion, firms financed through venture capital equity financing use their assets more efficiently.	Author-developed
		FP4	In my opinion, firms financed through venture capital equity financing generate higher returns for investors.	Author-developed
		FP5	In my opinion, firms financed through venture capital equity financing experience stronger revenue growth.	Author-developed
Perceived VC coaching and mentoring (VCM)	Respondents' evaluation of the business advice, training, networking support, and managerial expertise provided by VC investors.	VCM1	In my opinion, advice from venture capital investors helps improve business decisions.	Adapted from Nwanna and Osakwe (2021)
		VCM2	In my opinion, coaching, supervision, and training provided by venture capital investors contribute to business success.	Adapted from Nwanna and Osakwe (2021)
		VCM3	In my opinion, support from venture capital investors helps entrepreneurs access funding, networks, and business opportunities.	Adapted from Nwanna and Osakwe (2021)
		VCM4	In my opinion, coaching and mentoring from venture capital investors help entrepreneurs gain the skills and expertise needed to run their businesses.	Adapted from Nwanna and Osakwe (2021)

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