

Psychosocial and institutional factors as determinants of entrepreneurs' subjective well-being: Empirical evidence from a multilevel analysis



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Background: Entrepreneurial activity is widely recognised as a key driver of economic growth, innovation and employment; however, comparatively less scholarly attention has been devoted to the subjective well-being (SWB) of entrepreneurs. Existing studies tend to focus either on individual-level determinants or on broader institutional conditions, rarely integrating both perspectives within a single analytical framework.

Aim: The aim of this study is to examine how psychosocial and institutional factors jointly shape entrepreneurs' SWB, measured through life satisfaction.

Setting: The study adopts a cross-national perspective, analysing self-employed individuals operating in diverse institutional environments across multiple countries.

Methods: Drawing on well-being economics, self-determination theory and institutional theory, the study employs a multilevel empirical approach that accounts for the hierarchical structure of individuals nested within countries. Cross-national survey data on self-employed individuals are combined with country-level indicators of institutional quality and analysed using mixed-effects logistic regression models.

Results: The findings indicate that psychosocial factors, including job satisfaction, perceived financial situation, optimism, social trust and self-assessed health, are strong and consistent predictors of entrepreneurs' life satisfaction. In addition, institutional conditions such as political stability, business freedom, regulatory efficiency and control of corruption exert a significant contextual influence on entrepreneurial well-being.

Conclusion: Entrepreneurs' SWB is shaped by the interaction of individual psychosocial resources and the broader institutional environment. Supportive governance and regulatory frameworks enhance life satisfaction beyond individual-level characteristics alone.

Contribution: By integrating micro- and macro-level determinants within a unified multilevel framework, this study advances the entrepreneurship and well-being literature and offers policy-relevant insights for fostering sustainable and supportive entrepreneurial ecosystems.

Keywords: entrepreneurship; subjective well-being; life satisfaction; psychosocial factors; institutional quality; multilevel analysis.

Introduction

Entrepreneurship is widely acknowledged as a fundamental driver of economic growth, innovation and job creation, contributing not only to economic performance but also to broader societal development. In recent decades, scholarly attention has increasingly shifted towards understanding entrepreneurship as a human-centred activity, emphasising the experiences, motivations and well-being of entrepreneurs themselves (Brieger, De Clercq & Hessels 2021; Stephan 2018). This shift reflects a growing recognition that sustainable entrepreneurial activity depends not only on financial outcomes but also on entrepreneurs' psychological functioning and quality of life.

Subjective well-being (SWB), commonly defined as individuals' cognitive and affective evaluations of their lives, has emerged as a central construct in economics, psychology and management research (Diener, Oishi & Tay 2018). A substantial body of evidence within the economics of happiness literature demonstrates that higher levels of SWB are associated with improved health, resilience, productivity and long-term economic participation

(Diener & Seligman 2004; Diener et al. 2017). Within the entrepreneurial context, well-being is particularly salient, as entrepreneurs are frequently exposed to heightened levels of uncertainty, financial risk, time pressure and emotional demands. While entrepreneurship offers intrinsic rewards such as autonomy, flexibility and self-realisation, it also entails stressors that may undermine overall life satisfaction and mental health (Nikolaev, Boudreaux & Wood 2019; Stephan 2018).

Despite the growing interest in SWB, research focusing explicitly on entrepreneurs remains relatively limited. Early studies predominantly compared the well-being of self-employed individuals with that of salaried employees, often reporting higher job satisfaction among entrepreneurs but mixed results regarding overall life satisfaction (Binder & Coad 2013; Millán et al. 2013). More recent research has sought to explain these mixed findings by examining individual-level determinants such as income, job satisfaction, psychological traits, health and motivational drivers (Brieger et al. 2021; Nikolaev et al. 2019). However, much of this literature remains largely confined to micro-level explanations, offering an incomplete picture of the broader forces shaping entrepreneurs' SWB.

Recent studies have further emphasised the importance of integrating both individual and contextual determinants in explaining entrepreneurial well-being (Nikolaev et al. 2020; Stephan 2022).

Parallel to this strand of research, institutional economics and political economy emphasise the crucial role of institutional quality in shaping economic behaviour and individual outcomes. Political stability, regulatory efficiency, business freedom and corruption control have been shown to influence entrepreneurial activity, investment decisions and economic performance across countries (Fritsch, Sorgner & Wyrwich 2019; Krasniqi & Desai 2016). Importantly, institutional conditions also play a significant role in shaping individuals' life satisfaction and overall well-being, beyond their effects on income or employment (Frey & Stutzer 2000; Helliwell & Huang 2008). Yet, empirical studies that explicitly integrate institutional-level conditions into analyses of entrepreneurial SWB remain scarce.

This fragmentation in the literature reveals a critical research gap. Entrepreneurs' SWB is shaped by a complex interplay between individual psychosocial characteristics and the broader institutional environment in which entrepreneurial activity occurs. Focusing exclusively on individual-level determinants risks neglecting the contextual conditions that enable or constrain entrepreneurs' autonomy, security and perceived opportunities. From a theoretical perspective, this limitation restricts engagement with self-determination theory, which emphasises the satisfaction of basic psychological needs, as well as institutional theory, which highlights the role of formal and informal rules in shaping individual behaviour and outcomes (Frey & Stutzer 2000; Ryan & Deci 2001).

Addressing this gap, the present study adopts a multilevel analytical perspective to examine how psychosocial and institutional factors jointly determine entrepreneurs' SWB. By integrating individual-level psychosocial variables – such as job satisfaction, perceived financial situation, social trust, optimism and self-assessed health – with country-level indicators of institutional quality, this study provides a more comprehensive and theoretically grounded understanding of entrepreneurial well-being. The multilevel approach explicitly accounts for the hierarchical structure of individuals nested within countries, allowing for a clear distinction between within-country individual effects and between-country institutional influences (Snijders & Bosker 2012).

This study makes several contributions to the literature. Firstly, it advances entrepreneurship research by empirically demonstrating that entrepreneurs' SWB cannot be fully understood without considering the institutional context in which entrepreneurial activity is embedded. Secondly, it contributes to the well-being literature by focusing on entrepreneurs as a distinct occupational group whose experiences differ substantially from those of salaried workers and the general population. Thirdly, from a methodological standpoint, the application of multilevel modelling offers robust empirical evidence on the joint role of micro- and macro-level determinants of SWB. Fourthly, the findings provide important policy implications by highlighting how institutional quality can foster not only entrepreneurial activity but also sustainable and psychologically supportive entrepreneurial ecosystems.

The remainder of the paper is structured as follows. The next section reviews the relevant theoretical foundations and develops testable hypotheses regarding the relationship between psychosocial and institutional factors and entrepreneurs' SWB. This is followed by a description of the data and methodology. The empirical results are then presented and discussed in light of existing literature. The final section concludes by outlining key implications, limitations and directions for future research.

Theoretical background and hypotheses

Subjective well-being and entrepreneurship

Subjective well-being is commonly defined as individuals' cognitive and affective evaluations of their lives, encompassing life satisfaction, positive affect and the absence of negative affect (Diener 1984; Diener et al. 2018). Within the economics of happiness, SWB is increasingly regarded as a central outcome variable, reflecting not only material living conditions but also psychological and social dimensions of quality of life (Diener & Seligman 2004). Life satisfaction, as the cognitive-evaluative component of SWB, is particularly relevant in empirical research due to its stability and strong psychometric properties (Pavot & Diener 2008).

In the entrepreneurial context, SWB has attracted growing scholarly attention, as entrepreneurship is associated with both substantial rewards and significant psychological demands. Entrepreneurs often report higher levels of autonomy, job control and perceived meaning at work compared to salaried employees, which are positively associated with well-being (Hessels, Stephan & Roesler 2018; Stephan 2018). At the same time, entrepreneurship entails heightened exposure to uncertainty, income volatility, long working hours and responsibility, which may negatively affect life satisfaction and mental health (Hessels, Rietveld & Van der Zwan 2017; Nikolaev et al. 2019). These contrasting forces help explain why empirical findings on entrepreneurial well-being are mixed and context dependent.

By explicitly modelling entrepreneurs' SWB as a function of both psychosocial resources and institutional quality, this study responds to recent calls for more context-sensitive and multilevel approaches in entrepreneurship and well-being research.

Psychosocial determinants of entrepreneurs' subjective well-being

A substantial body of research highlights the importance of psychosocial factors in shaping SWB. Among these, job satisfaction is one of the most consistently identified predictors of life satisfaction. The spillover perspective suggests that satisfaction in one life domain, particularly work, transfers to overall life evaluations (Bowling, Eschleman & Wang 2010; Cannas, Sergi & Sironi 2019). For entrepreneurs, job satisfaction is closely linked to autonomy, task variety and self-realisation, making it a particularly salient determinant of well-being (Stephan 2018).

Financial satisfaction and perceived economic situation also play a crucial role in entrepreneurial well-being. While absolute income matters, individuals' subjective perceptions of their financial situation and relative social standing often exert a stronger influence on life satisfaction than objective income levels (Diener et al. 2010; Ng & Diener 2014). Entrepreneurs who perceive their financial situation as secure and improving are more likely to experience higher levels of life satisfaction, as financial stability reduces stress and enhances future-oriented optimism.

Health represents another key psychosocial determinant of SWB. Extensive evidence demonstrates a strong and bidirectional relationship between health and SWB, whereby good health contributes to higher life satisfaction and vice versa (Diener et al. 2017; Dolan, Peasgood & White 2008). Given the demanding nature of entrepreneurial work, self-assessed health is expected to be particularly relevant for entrepreneurs' well-being.

Beyond economic and health-related factors, psychological traits and social resources are critical. Optimism, defined as a generalised expectation that positive outcomes will occur in the future, has been shown to foster resilience, adaptive

coping and higher levels of well-being (Carver & Scheier 2014; Scheier & Carver 1993). Similarly, social trust and social capital enhance well-being by facilitating cooperation, reducing uncertainty and strengthening social support networks (Hamamura, Li & Chan 2017; Helliwell & Wang 2011). For entrepreneurs, trust-based relationships are especially important, as business activities often rely on informal cooperation and reciprocal exchanges.

Taken together, these arguments suggest that psychosocial resources play a central role in shaping entrepreneurs' SWB:

H1: Psychosocial factors – such as job satisfaction, perceived financial situation, optimism, social trust and self-assessed health – are positively associated with entrepreneurs' SWB.

Institutional quality and entrepreneurs' subjective well-being

Institutional theory emphasises that individual behaviour and outcomes are embedded within broader social, economic and political structures (Frey & Stutzer 2000; North 1990). Institutions shape incentives, reduce uncertainty and influence perceptions of fairness and security, thereby affecting both economic performance and individual well-being. In this perspective, entrepreneurs' SWB is not solely a function of personal characteristics but is also shaped by the institutional environment in which entrepreneurial activity takes place.

Empirical research indicates that political stability, effective governance and low levels of corruption are positively associated with higher life satisfaction across countries (Bjørnskov, Dreher & Fischer 2010; Helliwell & Huang 2008). For entrepreneurs, institutional stability is particularly important, as political uncertainty and weak governance increase transaction costs, heighten risk and constrain long-term planning (Fritsch et al. 2019; Krasniqi & Desai 2016). Political stability reduces uncertainty and fosters a predictable environment in which entrepreneurs can focus on innovation and growth rather than risk mitigation.

Regulatory efficiency and business freedom further shape entrepreneurial experiences. Business-friendly regulatory frameworks reduce administrative burdens, lower compliance costs and facilitate entry, operation and exit, thereby enhancing both entrepreneurial activity and satisfaction (Chambers & Munemo 2019; Fritsch, Kritikos & Pijenburg 2021). Similarly, transparent and efficient tax systems reduce perceived unfairness and stress, contributing positively to entrepreneurs' evaluations of their lives. High levels of corruption, by contrast, undermine trust, distort incentives and impose informal costs that negatively affect both business performance and well-being (Anokhin & Schulze 2009).

These arguments suggest that high-quality institutions not only encourage entrepreneurship but also create conditions conducive to higher SWB among entrepreneurs:

H2: Institutional quality – reflected in political stability, business freedom, regulatory efficiency and corruption control – is positively associated with entrepreneurs' SWB.

A multilevel perspective on entrepreneurial well-being

Entrepreneurs operate within nested contexts, where individual-level characteristics interact with country-level institutional conditions. Multilevel theory emphasises that ignoring this hierarchical structure may lead to biased estimates and incomplete theoretical explanations (Snijders & Bosker 2012). From this perspective, institutional environments may amplify or constrain the extent to which psychosocial resources translate into higher SWB.

For instance, autonomy and job satisfaction may yield greater well-being benefits in countries characterised by political stability and strong rule of law, where entrepreneurs can exercise control without excessive uncertainty. Conversely, in weak institutional contexts, the positive effects of individual psychosocial resources may be dampened by regulatory burdens and governance failures. This interaction underscores the importance of jointly examining micro- and macro-level determinants within a unified analytical framework:

H3: Specifically, supportive institutional environments are expected to strengthen the positive association between psychosocial resources and entrepreneurs' SWB.

Research methods and design

Data and sample

This study employs a quantitative research design based on cross-national survey data combined with country-level institutional indicators. The individual-level data are drawn from a large-scale international survey that provides detailed information on respondents' socioeconomic characteristics, employment status, perceptions and life satisfaction. Consistent with prior research in entrepreneurship and well-being, the analytical sample is restricted to individuals who identify as self-employed, including both solo entrepreneurs and entrepreneur-employers (Binder & Coad 2013; Nikolaev et al. 2019).

The survey follows a stratified sampling design and is administered through face-to-face interviews, ensuring representativeness at the national level. After excluding observations with missing values on key variables, the final analytical sample includes 7950 self-employed individuals nested within 30 countries, providing a robust basis for multilevel analysis. The analytical sample is drawn from a stratified sampling framework designed to ensure national representativeness.

To capture the broader contextual environment, individual-level observations are matched with country-level institutional indicators obtained from internationally recognised data sources. This integrated dataset enables the simultaneous examination of psychosocial and institutional determinants of entrepreneurs' SWB.

Measures

Dependent variable

Subjective well-being is measured using life satisfaction, which represents the cognitive-evaluative component of well-being. Respondents are asked to assess their overall satisfaction with life on a Likert-type scale. For the multilevel regression analysis, life satisfaction was dichotomised to capture the likelihood of reporting high levels of SWB, following established practice in the literature. Specifically, higher values of the scale were coded as indicating high life satisfaction. Life satisfaction is widely regarded as a reliable and valid indicator of SWB and has been extensively used in cross-national research (Diener et al. 2018; Pavot & Diener 2008). Following established practice in the literature, the measure is operationalised in a way that facilitates comparative and multilevel analysis.

The reliability and validity of the measures are supported by their extensive use in prior well-being and entrepreneurship research. The constructs employed in this study are based on established survey instruments with demonstrated psychometric properties in cross-national settings. Furthermore, the use of standardised data collection procedures enhances the comparability and internal consistency of the variables.

Independent variables

Psychosocial factors: The individual-level psychosocial variables include job satisfaction, perceived financial situation, optimism, social trust, self-assessed health and perceived social standing. Job satisfaction and perceived financial situation capture key work-related and economic dimensions of entrepreneurial experience. Optimism reflects individuals' expectations regarding future outcomes, while social trust captures generalised trust in others. Self-assessed health serves as an indicator of physical and psychological functioning. Together, these variables represent core psychosocial resources identified in the well-being and entrepreneurship literature.

Institutional factors: Country-level institutional quality is captured through indicators reflecting political stability, business freedom, regulatory efficiency and corruption control. These indicators are widely used proxies for governance quality and the business environment and have demonstrated strong associations with both entrepreneurial activity and SWB in prior studies (Frey & Stutzer 2000; Fritsch et al. 2019). All institutional variables are measured at the national level and matched to individual respondents based on country of residence.

Control variables

To account for potential confounding influences, the analysis includes standard socio-demographic controls commonly used in well-being research, such as age, gender, marital status and educational attainment. Including these variables helps isolate the effects of psychosocial and institutional factors on entrepreneurs' SWB.

Empirical strategy

Given the hierarchical structure of the data, with individuals nested within countries, this study applies multilevel modelling techniques. Traditional single-level regression models may yield biased estimates when observations are clustered within higher-level units, as they fail to account for unobserved heterogeneity at the country level (Snijders & Bosker 2012). Multilevel models explicitly address this issue by allowing for random effects at the country level.

The empirical analysis begins with the estimation of a baseline (null) model without explanatory variables to assess the extent of between-country variation in entrepreneurs' SWB. The intraclass correlation coefficient (ICC) is used to determine the proportion of variance attributable to country-level differences. Subsequently, psychosocial variables are introduced at the individual level, followed by the inclusion of institutional variables at the country level. This stepwise approach facilitates an assessment of the relative contribution of each set of determinants.

Given the nature of the dependent variable, mixed-effects regression models are employed, incorporating both fixed effects for explanatory variables and random intercepts at the country level. Robust standard errors are used to account for potential heteroskedasticity. To reduce concerns related to multicollinearity among institutional indicators, country-level variables are introduced sequentially, in line with prior empirical work.

Robustness

Several robustness checks are conducted to ensure the reliability of the results. Alternative model specifications are estimated, and the consistency of key coefficients is assessed across models. The stability of results across different sets of controls further strengthens the validity of the findings.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of Applied Sciences in Ferizaj Research Ethics Committee (Ref. No. 48/26).

Results

Descriptive statistics

Table 1 presents the descriptive statistics for all individual-level and country-level variables included in the analysis. The results reveal substantial variation in entrepreneurs' SWB, as measured by life satisfaction, both within and across countries. This variation provides initial support for the relevance of adopting a multilevel analytical framework.

At the individual level, entrepreneurs report relatively high levels of job satisfaction and moderate evaluations of their financial situation, while notable heterogeneity is observed in optimism, generalised social trust and self-assessed health. These findings are consistent with prior research suggesting that entrepreneurial experiences are diverse and shaped by both personal and contextual factors.

At the country level, institutional indicators – including political stability, business freedom, regulatory efficiency and corruption control – exhibit considerable cross-national variation. This institutional heterogeneity further justifies the inclusion of country-level variables and supports the use of multilevel modelling to capture contextual influences on SWB.

Multilevel regression results

The multilevel regression results are reported in Table 2. Prior to introducing explanatory variables, a baseline model was estimated (not reported) to assess the extent of between-country variation in entrepreneurs' life satisfaction. The ICC indicates that a meaningful proportion of the total variance in SWB is attributable to country-level differences, confirming the appropriateness of a multilevel approach.

Model 1 in Table 2 examines the association between psychosocial factors and entrepreneurs' SWB. The results show that job satisfaction is positively and significantly associated with life satisfaction, suggesting that satisfaction derived from entrepreneurial work strongly spills over into overall well-being. Perceived financial situation also displays a robust positive relationship with life satisfaction, highlighting the importance of subjective economic security in shaping entrepreneurial well-being.

TABLE 1: Descriptive statistics of individual-level and country-level variables.

Variable	Description	Range	Mean	SD	Min	Max
Life satisfaction	Overall life satisfaction	1–5	3.62	1.23	1.00	5.00
Job satisfaction	Satisfaction with current work	1–5	3.81	0.89	1.00	5.00
Perceived financial situation	Subjective financial evaluation	1–5	3.42	1.45	1.00	5.00
Optimism	Expectations about future outcomes	1–5	3.75	0.78	1.00	5.00
Social trust	Generalised trust in others	1–5	2.19	1.19	1.00	5.00
Self-assessed health	Subjective health status	1–5	3.48	0.97	1.00	5.00
Political stability	Political stability index	-2.5 to 2.5	0.64	0.88	-1.60	1.75
Business freedom	Business freedom index	0–100	67.91	13.48	42.07	86.08
Regulatory efficiency	Regulatory efficiency	0–100	62.84	10.81	40.05	84.03
Control of corruption	Corruption control	-2.5 to 2.5	0.04	0.91	-1.70	1.60

Note: Descriptive statistics are based on the analytical sample of entrepreneurs. Institutional indicators vary at the country level and therefore reflect between-country variation. SD, standard deviation; Min, minimum; Max, maximum.

TABLE 2: Multilevel regression results for entrepreneurs' subjective well-being.

Variables	Model 1		Model 2	
	Psychosocial factors	β , SE	Institutional factors	β , SE
Job satisfaction	0.57***	0.04	0.550***	0.040
Perceived financial situation	0.44***	0.03	0.310***	0.030
Optimism	0.29***	0.03	0.280***	0.030
Social trust	0.18***	0.03	0.140***	0.030
Self-assessed health	0.36***	0.04	0.330***	0.040
Political stability	-	-	0.240**	0.080
Business freedom	-	-	0.013**	0.004
Regulatory efficiency	-	-	0.009*	0.004
Control of corruption	-	-	0.180**	0.070

Note: Models 1 & 2 - Socio-demographic controls: Yes; Country random effects: Yes; Observations (N) = 7950; Countries (J) = 30; ICC (null-model reference) = 0.07; Model 1 AIC = 18 940; Models 2 AIC = 18 770. Entries report fixed-effects coefficients from mixed-effects logistic regression models with random intercepts at the country level. Robust standard errors in parentheses. The dependent variable is high life satisfaction.

AIC, Akaike Information Criterion; SE, standard error; ICC, intraclass correlation coefficient.

*, $p < 0.10$; **, $p < 0.05$; ***, $p < 0.01$.

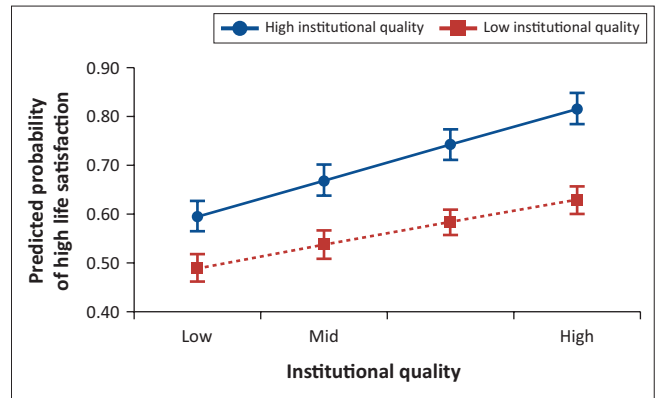
Optimism and generalised social trust emerge as additional significant predictors, indicating that positive future expectations and social resources enhance entrepreneurs' SWB. Self-assessed health is likewise positively related to life satisfaction, underscoring the central role of physical and psychological health in demanding entrepreneurial contexts. Collectively, these findings provide consistent empirical support for H1, confirming the importance of psychosocial determinants.

Model 2 extends the analysis by incorporating country-level institutional variables. The results indicate that political stability and business freedom are positively associated with entrepreneurs' SWB, suggesting that predictable governance environments and supportive regulatory frameworks enhance life satisfaction. Regulatory efficiency also exhibits a positive relationship with SWB, while higher levels of corruption are negatively associated with entrepreneurs' life satisfaction. These findings lend empirical support to H2, demonstrating that institutional quality constitutes a significant contextual determinant of entrepreneurial well-being, even after controlling for individual-level psychosocial characteristics.

Predicted probabilities and cross-national variation

To further illustrate the substantive relevance of institutional context, Figure 1 presents predicted probabilities of reporting high life satisfaction among entrepreneurs across different levels of institutional quality, holding psychosocial characteristics constant. The figure reveals clear cross-national differences in SWB, with entrepreneurs operating in stronger institutional environments exhibiting systematically higher predicted levels of life satisfaction.

This visual evidence highlights that institutional conditions not only exert direct effects on SWB but also shape the broader context in which psychosocial resources translate into well-being outcomes. The observed cross-country variation supports H3 and reinforces the value of a

**FIGURE 1:** Predicted probabilities of high life satisfaction across institutional contexts.

multilevel perspective in understanding entrepreneurial well-being.

Figure 1 illustrates the predicted probability of reporting high life satisfaction among entrepreneurs across different levels of institutional quality. Predicted values are derived from the multilevel regression model and are calculated by holding psychosocial characteristics at their sample means. Entrepreneurs operating in more supportive institutional environments exhibit systematically higher probabilities of high SWB.

Discussion

The present study set out to examine how psychosocial and institutional factors jointly shape entrepreneurs' SWB by adopting a multilevel analytical perspective. By integrating individual-level psychosocial determinants with country-level institutional conditions, the findings provide a more comprehensive understanding of entrepreneurial well-being than approaches that focus on a single level of analysis. Overall, the results lend consistent empirical support to the proposed theoretical framework and highlight the importance of considering both micro- and macro-level influences.

These findings can be interpreted through the lens of institutional theory, which emphasises the role of formal and informal structures in shaping individual outcomes. In line with this perspective, the results suggest that supportive institutional environments enhance entrepreneurs' SWB by reducing uncertainty and facilitating access to resources. Furthermore, from a well-being theory standpoint, the positive association between psychosocial factors and life satisfaction aligns with existing evidence that individual perceptions, social trust and economic security are key determinants of SWB.

Consistent with H1, the results indicate that psychosocial factors are strong and robust predictors of entrepreneurs' SWB. Job satisfaction emerges as one of the most influential determinants, reinforcing the spillover hypothesis, which posits that satisfaction in the work domain significantly contributes to overall life satisfaction (Bowling et al. 2010). This finding aligns with prior research suggesting that

autonomy, meaningful work and self-realisation – key features of entrepreneurial activity – play a central role in shaping entrepreneurs' well-being (Brieger et al. 2021; Stephan 2018). The strong association between perceived financial situation and life satisfaction further underscores the relevance of subjective economic security, echoing evidence from the well-being literature that perceptions of financial adequacy often matter more than objective income levels (Diener et al. 2010; Ng & Diener 2014).

The positive effects of optimism, social trust and self-assessed health highlight the broader psychosocial foundations of entrepreneurial well-being. Optimism appears to function as a psychological resource that enhances resilience and adaptive coping in uncertain entrepreneurial environments, consistent with prior findings in psychology and entrepreneurship research (Carver & Scheier 2014; Nikolaev et al. 2019). Similarly, generalised trust reflects the importance of social capital in reducing uncertainty and facilitating cooperation, which is particularly salient for entrepreneurs who rely heavily on informal networks and relational exchanges. The strong association between health and SWB further emphasises that entrepreneurial success and sustainability are closely intertwined with physical and psychological functioning.

In line with H2, the results demonstrate that institutional quality plays a significant role in shaping entrepreneurs' SWB. Political stability and business freedom are positively associated with life satisfaction, suggesting that predictable governance environments and supportive regulatory frameworks reduce uncertainty and enable entrepreneurs to focus on opportunity recognition and growth rather than risk mitigation. These findings are consistent with institutional economics perspectives, which emphasise the role of stable and efficient institutions in fostering both economic performance and individual well-being (Frey & Stutzer 2000; Fritsch et al. 2019). The negative association between corruption and SWB further corroborates evidence that weak governance and informal costs undermine trust, increase stress and adversely affect entrepreneurial experiences (Anokhin & Schulze 2009).

These findings are consistent with recent studies highlighting the role of institutional context in shaping entrepreneurial outcomes (Bennett & Nikolaev 2021; Kautonen, Kibler & Minniti 2023).

Importantly, the multilevel results provide support for H3, indicating that entrepreneurs' SWB varies systematically across institutional contexts. The predicted probabilities illustrated in Figure 1 suggest that the benefits of psychosocial resources are not uniform across countries but are conditioned by the broader institutional environment. This finding reinforces the argument that entrepreneurial well-being is inherently contextual and that individual-level characteristics alone are insufficient to fully explain

cross-national differences. From a theoretical standpoint, this result strengthens the integration of self-determination theory and institutional theory by demonstrating how psychological needs and institutional conditions jointly shape well-being outcomes.

Taken together, these findings contribute to several strands of literature. Firstly, they advance entrepreneurship research by shifting the focus beyond performance-oriented outcomes and highlighting entrepreneurs' well-being as a critical dimension of sustainable entrepreneurship. Secondly, they enrich the well-being literature by explicitly incorporating institutional context into the analysis of a distinct occupational group. Thirdly, the study demonstrates the analytical value of multilevel modelling in capturing the nested structure of entrepreneurial experiences and avoiding overly reductionist explanations.

From a policy perspective, the results suggest that efforts to promote entrepreneurship should not be limited to encouraging business creation or growth but should also aim to improve the quality of the institutional environment in which entrepreneurs operate. Policies that enhance regulatory efficiency, strengthen governance and reduce corruption may contribute not only to higher entrepreneurial activity but also to greater SWB among entrepreneurs, thereby fostering more sustainable and resilient entrepreneurial ecosystems.

Limitations and future research

Despite its contributions, this study has several limitations that should be acknowledged. Firstly, the use of cross-sectional data limits the ability to draw causal inferences regarding the relationships between psychosocial factors, institutional conditions and SWB. Future research could employ longitudinal data to examine dynamic changes in entrepreneurial well-being over time and to better assess causal mechanisms.

Secondly, while life satisfaction is a widely accepted and robust measure of SWB, future studies could extend the analysis by incorporating affective components of well-being or domain-specific measures related to work-life balance and mental health. Thirdly, although the study captures key aspects of institutional quality at the national level, future research could explore regional or local institutional contexts, as well as informal institutions, to gain a more nuanced understanding of contextual influences.

Fourthly, future studies could investigate heterogeneity among entrepreneurs by considering different types of entrepreneurial activity, such as opportunity-driven versus necessity-driven entrepreneurship, or by examining gender, age and sectoral differences. Such extensions would further enrich the understanding of entrepreneurial well-being and provide more targeted insights for theory and policy.

Conclusion

Implications

This study highlights the critical role of psychosocial and institutional factors in shaping entrepreneurs' SWB.

These factors capture key dimensions of entrepreneurial experience related to autonomy, security, resilience and social embeddedness. At the same time, the study demonstrates that institutional quality constitutes an important contextual determinant of entrepreneurial well-being. Political stability, business-friendly regulatory frameworks and effective governance enhance life satisfaction among entrepreneurs, while weak institutions and corruption undermine well-being by increasing uncertainty and informal costs.

From a theoretical perspective, this study makes several contributions. Firstly, it advances the entrepreneurship literature by positioning SWB as a core outcome of entrepreneurial activity, rather than a secondary by-product of economic performance. Secondly, it contributes to the well-being literature by explicitly incorporating institutional context into the analysis of a distinct occupational group. Thirdly, by applying multilevel modelling, the study empirically demonstrates the value of integrating micro- and macro-level determinants within a unified analytical framework, thereby strengthening the theoretical link between self-determination theory and institutional theory.

Enhancing regulatory efficiency, ensuring political stability, strengthening the rule of law and reducing corruption may contribute not only to more vibrant entrepreneurial ecosystems but also to higher levels of SWB among entrepreneurs. Such an approach aligns with broader objectives of sustainable and inclusive economic development by recognising entrepreneurs as individuals whose well-being matters in its own right.

This study contributes to the literature by providing multilevel empirical evidence on how psychosocial and institutional factors jointly shape entrepreneurs' SWB. The findings highlight the importance of both individual-level perceptions and broader institutional environments in influencing life satisfaction among entrepreneurs.

From a practical perspective, the results suggest that policymakers should focus on strengthening institutional quality and creating supportive environments that reduce uncertainty and enhance access to resources. At the same time, fostering positive psychosocial conditions, such as trust and financial security, can further improve well-being outcomes.

Future research could extend this analysis by incorporating longitudinal data and exploring additional contextual variables that may influence entrepreneurial well-being across different institutional settings.

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Competing interests

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CRedit authorship contribution

Arben Tërstena: Conceptualisation, Formal analysis, Investigation, Methodology, Supervision, Writing – original draft. Lulzim Idrizi: Data curation, Methodology, Validation, Writing – review & editing. Gazmend Deda: Investigation, Resources, Writing – review & editing. Ismail Mehmeti: Project administration, Supervision, Writing – review & editing. All authors reviewed the article, contributed to the discussion of results, approved the final version for submission and publication and take responsibility for the integrity of its findings.

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Data availability

The data that support the findings of this study are available from the corresponding author, Arben Tërstena, upon reasonable request.

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