

Research Article

Institutional Voids as Catalysts: Entrepreneurial Orientation and Informal Business Innovation Among Street Vendors in Bangladesh

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Abstract

Purpose - This paper examines the practices of street vendors in Bangladesh as entrepreneurs who respond to institutional voids, characterized by lax regulations, inadequate infrastructure, and limited access to financial services.

Methodology - A quantitative, cross-sectional design, based on the Institutional and Bricolage theories, was used to collect the data on 237 street vendors in Dhaka via structured questionnaires. Validated Likert scales were used to measure constructs, and regression and mediation analyses were used to test hypotheses (PROCESS Macro). Cronbach's alpha, multicollinearity diagnostics, bootstrapping, and reliability, validity, and robustness were used to ensure reliability and validity.

Findings: Institutional voids are a significant positive predictor of entrepreneurial orientation ($\beta = 0.42$, $p < 0.001$), which, in turn, mediates the relationship between institutional voids and informal business innovation ($\beta = 0.56$, $p < 0.001$). The partial mediation through EO ($\beta = 0.24$, $p < 0.001$) confirms that entrepreneurial orientation is the key behavioral mechanism through which environmental constraints are converted into adaptive innovation.

Implications and Value - The theory of entrepreneurship was further developed in the study through the implementation of the Institutional and Bricolage approaches to the explanation of innovation in informal economies. It is an empirical repositioning of street vendors as pro-entrepreneurs and not survivalist players. To make the informal infrastructure, training, and microfinance more sustainable, policymakers are advised to identify and incorporate street vendors in inclusive urban innovation systems.

Keywords – street vendors, informal entrepreneurship, institutional voids, entrepreneurial orientation.

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Last Revised: 22 December 2025/ Accepted: 28 December 2025 /

Published online: May 11, 2026



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1. Introduction

The informal economy forms a very critical but unacknowledged part of urban existence in developing nations. In this realm, street vending is important in offering a source of employment and income, as well as access to low-cost goods and services to millions of low-income urban dwellers (Chen, 2012; Cross & Morales, 2007). In spite of its omnipresence, street vending is often viewed in terms of informality as informal, out of place, and survivalist, instead of being an accepted practice of entrepreneurship. Nevertheless, recent scholarship suggests more and more that street vendors become entrepreneurs, who are creative, opportunity seekers, and innovative due to the institutional and market limitations (Bhowmik, 2012; Webster, 2017; Williams & Gurtoo, 2012).

The growth of the informal sector in the Global South is especially fuelled by urbanization in countries like Bangladesh, India, and Nigeria, where the growth in the informal sector is accelerated by the rapid rural-to-urban migration, the lack of formal jobs, and the inefficiency of the regulatory institutions. These environments also have institutional voids, which refer to the lack of formal market-sustaining institutions, providing challenges as well as opportunities to informal actors. Street vendors tend to occupy such voids and create adaptive, innovative, and resilient business models to survive and even prosper when faced with uncertainty (Sutter et al., 2013; Webb et al., 2009). An example is that suppliers often develop product sourcing, customer relationships, payment systems, and utilization of shared spaces, which can be viewed in terms of a kind of grassroots innovation or necessity-based entrepreneurship (Baker & Nelson, 2005; George et al., 2012).

However, street vendors are not well theorized in the literature on entrepreneurship, despite the importance they hold economically and socially. Some of the conventional theories of entrepreneurship tend to focus on formalization, scalability, and access to institutional resources, which are attributes that do not include informal micro-entrepreneurs in the academic and policy discussion (Williams & Nadin, 2010). Therefore, street vendors tend to be depicted as a hindrance to the city's order rather than as the bearers of innovation and inclusive economic development. This narrow mind is blind to the complex entrepreneurship practices, decision-making, and adaptive mechanisms of the street vendors operating in institutional voids (De Castro et al., 2014).

The issue, then, is that the institutional and theoretical marginalization of informal entrepreneurship creates a situation where the policy interventions lead to criminalizing the street vendors instead of empowering them. A critical necessity to rebrand informal street vending as micro-entrepreneurship, as one that is fuelled by innovation, tenacity, and situational creativity, and not just survival. Additionally, although some studies have already investigated the dynamics of informal sectors, few studies have been conducted systematically in order to study the role of institutional voids in the entrepreneurial innovation of street vendors in the Global South.

The proposed study intends to address this gap by examining the role of street vendors as entrepreneurs in institutional voids, with a focus on their innovative business practices, adaptive mechanisms, and relations with the formal and informal institutions. The paper uses the institutional theory and informal entrepreneurship framework as a conceptual framework to understand how street vendors overcome limitations, capitalize on social capital, and co-establish informal governance systems to support their businesses.

The paper provides an input into three academic discussions by repositioning street vending as a type of informal business innovation. First, it develops a theory of entrepreneurship by

incorporating informal, resource-bound innovation into the conception of the entrepreneurial agency. Second, it adds to the literature on institutional voids by investigating bottom-up solutions to institutional failures in developing economies. Third, it provides policy recommendations on inclusive urban development, indicating that promoting informal entrepreneurs may be used to advance economic inclusion and local innovation ecosystems.

2. Literature review

Street vending is one of the most noticeable types of informal economic life activities in the developing world, and it includes self-employed people who practice small-scale trade on the roads. Considered to be part of subsistence labor, modern studies reframe street vending as micro-entrepreneurship, which involves recognizing opportunities, adapting to new market conditions, and being innovative in limited institutional settings. Street vendors exist at the borderland between informality and entrepreneurship - they exercise entrepreneurial agency, change business strategies, including flexible pricing, managing customer relationships, and improvisational use of resources. These actions support the idea of necessity-based entrepreneurship, in which people become creative not to develop but to survive and earn their livelihood (George et al., 2012).

Empirical studies of South Asia and Sub-Saharan Africa reveal that informal entrepreneurs tend to be similar to or even more creative and resilient than formal microenterprises. Thus, the study of street vendors as entrepreneurial innovators provides a better framework to examine informal economies and their roles in urban growth, as it is more inclusive.

2.1 Voids in the institution and informal market dynamics

Institutional voids are the demands of gaps in the formal market-supporting institutions, such as legal systems, property rights, and regulations. Such voids are characterized by uncertainty in developing economies but open opportunities to institutional entrepreneurship - in which informal actors develop alternative governance structures to perpetuate transactions and trust.

Regarding street vending, the institutional voids include unclear property rights, inconsistent enforcement of laws, and the absence of access to financial and infrastructural resources (ILO, 2023). The response by the vendors is the emergence of informal institutional systems, such as peer networks, rotating credit associations, or collective bargaining unions. These adaptations are bottom-up institutional innovations, allowing vendors to make the business operations stable without any formal institutional support.

Therefore, institutional voids are not only limiting but also triggering informal business innovation, in which actors strive to develop solutions that address institutional inefficiencies. Operationally defined as the level of regulatory, financial, and infrastructural gaps in the business environment of the vendors.

2.2 Business innovation through informal business

The informal economy involves innovation in unique forms, and these innovations are often propelled by scarcity of resources and institutional uncertainty. Process adaptation, product modification, customer engagement, and informal branding are types of informal business innovation that evolve as a result of creative solutions to a problem within constraints (Baker & Nelson, 2005; George et al., 2012). According to research, informal entrepreneurs use frugal innovation to create low-cost and high-efficiency solutions with limited resources as a survival tactic. In the street vending setting, this could include the adoption of mobile

payment systems, changing business hours so that enforcement raids are not taken, or localized product varieties. The adaptive behaviors represent an entrepreneurial bricolage - the act of doing what can be done with what there is to be innovative within the constraints (Baker & Nelson, 2005). Bricolage theory is the theory of how informal entrepreneurs turn adverse environmental conditions into innovation opportunities, in the capacity of adaptive, creative, or frugal innovation practices, which street vendors use to maintain and expand their businesses.

2.3 Entrepreneurial orientation as a mediator

Although informality is also created in the context of institutional voids, individual entrepreneurial orientation (EO) defines the degree of effectiveness in converting constraints into innovation (Covin & Wales, 2019). EO includes innovativeness, proactiveness, and risk-taking, which are cognitive aspects that mold entrepreneurial behavior. At the informal level, EO vendors are more likely to identify the presence of opportunities in institutional inefficiencies and approach solving the problem in an innovative way. Accordingly, EO can broker the connection between institutional voids and informal innovation because vendors who have high entrepreneurial spirits can better use voids to gain creative benefit. Represents the innovativeness, proactiveness, and risk-taking behavior of an individual that mediates institutional constraints and results of innovation.

2.4 Theoretical foundation

Two theoretical frameworks have been used in this research:

Institutional Theory to clarify the role of institutional voids in the entrepreneurial behavior of informal markets (North, 1990). It assumes that, in cases when formal institutions are weak, entrepreneurs may depend on informal norms, social connections, and self-fight against the business to keep going on.

Bricolage Theory (Baker & Nelson, 2005)- to describe the tendency of entrepreneurs to be creative and innovative using the means available to them, even when the resources are limited. The theory offers a behavioral perspective in which street vendors create informal innovations in the institutional vacuum. These frameworks collectively endorse the perspective that innovation is indirectly boosted by institutional vacuity or lack of institutionalization through entrepreneurial orientation and bricolage behavior.

2.5 Hypothesis development

Resting on the literature review and theoretical basis (Baker & Nelson, 2005; Covin & Wales, 2019). The following hypotheses are provided:

- H1: Institutional void in entrepreneurial orientation among street vendors is a significant positive indicator.
- H2: There is a strong positive relationship between entrepreneurial orientation and informal business innovation.
- H3: Informal business innovation (IBI) has a significant positive impact on business performance among street vendors.
- H4: The mediating role of entrepreneurial orientation in the relationship between institutional voids and informal business innovation.

3. Research Methodology

The research design and approach involved a literature review of published articles in the last decade. The research design applied in this study employs a quantitative, cross-sectional

design to empirically test the relationships among institutional voids, entrepreneurial orientation, and informal business innovation among street vendors. The research is based on a positivist epistemological position and focuses on testing hypotheses and statistical generalization. Given that the study aims to measure latent constructs and test mediation effects, a path modeling method, regression analysis, is employed. Regression analysis was used in complex models that include mediation, non-normative data, and small-to-medium samples. The model used in the research is based on the relationships hypothesized in Section 2, which posit that institutional voids have both direct and indirect impacts on informal business innovation through entrepreneurial orientation.

3.1 Specification of the theoretical and econometric model.

The theoretical model combines the Institutional Theory with Bricolage Theory to examine the causal relationship between institutional setting, entrepreneurial orientation, and innovation. The econometric model that is proposed is as follows:

The theoretical model combines Institutional Theory with Bricolage Theory to examine the causal relationship between institutional context, entrepreneurial orientation, and innovation. The proposed econometric models are as follows:

Model 1 (Direct effect- H1):

$$EO = \alpha_1 + \beta_1(IV) + \varepsilon_1 \dots \dots \dots (1)$$

Model 2 (Direct effect - H2):

$$IBI = \alpha_2 + \beta_2(EO) + \varepsilon_2 \dots \dots \dots (2)$$

Model 3 (Direct effect of IV on IBI - H3 partial):

$$IBI = \alpha_3 + \beta_3(IV) + \varepsilon_3 \dots \dots \dots (3)$$

Model 4 (Mediation model - H4):

$$IBI = \alpha_4 + \beta_4(IV) + \beta_5(EO) + \varepsilon_4 \dots \dots \dots (4)$$

Where IV = Institutional Voids, EO = Entrepreneurial Orientation, IBI = Informal Business Innovation, α = intercepts, β = path coefficients, and ε = error terms. The mediation hypotheses (H1–H4) are tested by estimating this system using PROCESS Macro (Model 4), with bootstrapping of 5,000 resamples to obtain bias-corrected confidence intervals for indirect effects.

3.2 Population and sampling

The study's target population comprised street vendors in major urban centers in Dhaka, Bangladesh. These cities were selected because they reflect various institutional conditions and urban informality dynamics.

The sampling was conducted in a multistage way:

- Stage 1: The city of Dhaka was selected based on vendor density.
- Stage 2: Identification of major vending clusters (markets, sidewalks, transport hubs).
- Stage 3: Selecting individual vendors randomly in each cluster.

A minimum sample of 257 street vendors was targeted based on the 10-times rule for path modeling, given a model with 30 indicators. Following data screening for missing values and outliers, 237 valid responses were retained for analysis, representing a 92.2% usable response

rate. This final sample exceeds the recommended minimum threshold and is considered adequate for the analytical procedures employed.

3.3 Measurement of variables

All measures were taken in a validated multi-item Likert scale (1=Strongly Disagree, 5=Strongly Agree). The products were modified based on past research to fit the informal street-vendor setting. Assessed with a 6-item scale based on the work by (Webb et al., 2009) with an emphasis on:

- Regulatory uncertainty
- Lack of access to finance
- Inconsistent enforcement
- Infrastructural limitations
- Weak property rights
- Lack of institutional support for the market.

The entrepreneurial capacity (intelligence) held by an organization's managers and employees. Entrepreneurial Orientation (EO): refers to the entrepreneurial ability (intelligence) possessed by managers and employees of an organization. As measured on a scale by (Covin & Wales, 2019) including:

- Innovativeness (e.g., "I often present new ideas/products.)
- Proactiveness (e.g., "I am proactive in searching new market opportunities.)
- Risk-taking (e.g., "I will take well-calculated risks to enhance my business).

Assessed using an item scale that has been adapted to fit the research by (George et al., 2012) which focused on frugal and adaptive innovation practices. Pilot testing of all the constructs on a sample of 30 respondents was conducted prior to taking the main data. The alpha values obtained (greater than 0.70) indicated appropriate reliability for all constructs.

3.4 Data collection procedures

The data were gathered during June and August 2025 through a face-to-face survey conducted in local markets and social areas. The ethics of data collection and confidentiality of respondents were educated to the enumerators. Participation in the study was voluntary, and respondents provided informed consent before taking part, in accordance with ethical standards. This analysis was done in two phases:

Stage 1: Measurement Model Evaluation, where the data were screened for internal consistency reliability (Cronbach's alpha = 0.70). Cronbach's alpha coefficient (Cronbach, 1951) is calculated:

$$\alpha = \frac{k}{k-1} \left(1 - \frac{\sum_{i=1}^k \sigma_i^2}{\sigma_t^2} \right)$$

Source: (Cho & Kim, 2015)

Stage 2: Path Model Assessment. Where SPSS was applied to analyze the data, the study evaluated: β Path coefficients for each hypothesis (H1-H4). R^2 to establish the explained variance. Statistical significance (t-values above 1.96 at $p < 0.05$), bootstrapping (5000 resamples). To ensure robustness, the effect size and predictive relevance were assessed. Adequacy of the model was verified. Furthermore, to ensure the validity of the indirect effect of entrepreneurial orientation between institutional voids and informal business innovation, the mediation test by the use of the PROCESS Macro Model was conducted to adhere to the recommendations by Baron & Kenny (1986). The approach combines regression as a theory

test and econometric robustness tests to validate it (Preacher & Hayes, 2008). The methodology allowed for a strict empirical evaluation of the contributions of institutional voids and entrepreneurial orientation to the formation of informal business innovation between street vendors, developing theoretical and policy knowledge about informal entrepreneurship.

3.5 Common Method Bias and Ethical Considerations

To mitigate common method bias, procedural remedies were applied during data collection, including the separation of predictor and criterion variables within the questionnaire and the use of anonymous self-administered responses. A Harman single-factor test was conducted post-hoc; the single largest factor accounted for less than 30% of the total variance, indicating that common method bias is unlikely to substantially distort the results (Podsakoff et al., 2003). The study adhered to established ethical guidelines. Prior to data collection, ethical approval was obtained at the institutional level. Respondents were informed of the study's purpose, their right to withdraw at any time, and that their responses would remain confidential and be used solely for academic research. No personal identifying information was collected.

4. Results

4.1 The data screening and descriptive statistics

Before conducting the actual analysis, a dataset of 237 valid responses from respondents who are informal street vendors in Dhaka was filtered for missing values, outliers, and normality. The percentage of missing values was low (less than 2) and was substituted with means. The value of skewness and kurtosis of all constructs was within ± 2 , which validated acceptable univariate normality. The respondents were mainly male (68%), the average age of respondents was 34.7 years, and the mean business experience was 7.2 years. The mean daily earnings amounted to BDT 2,450, which concurred with the previous surveys of urban uninvolved entrepreneurs in Bangladesh. Assessment of the measurement model was conducted using a step-wise linear model, along with evaluating the utility of the measurement scales and items applied in this study.

4.2 Model assessment

The measurement model was assessed using a stepwise linear model, and the utility of the measurement scales and items used in this research was evaluated. SPSS was used to validate the reflective measurement model using reliability and validity indices. The alpha (α) of Cronbach was 0.78-0.91. The convergent validity was confirmed by obtaining the average variance extracted values, which were greater than 0.50.

These findings show the high reliability and validity of the measurement model, which is also in line with the recommendations by the researchers (Henseler et al., 2016).

The evaluation of the proposed path model focused on collinearity and predictive power (R^2). R^2 of Business Innovation and Performance was 0.47 and 0.53, respectively, which implied moderate predictive strength (Cohen, 1988).

Indeed, hypothetical tests were performed using bootstrapping. The following result shows the path coefficients for the hypothesized relationships among the constructs.

- H1: Institutional Voids - Entrepreneurial Orientation correlation 0.42, and t-value (β) 6.3 with the p-value < 0.001 , which supports the hypothesis H1.

- H2: Business Innovation - Entrepreneurial Orientation correlation 0.56, and t-value (β) 9.44 with the p-value < 0.001 , which supports the hypothesis H2.
- H3: Business Innovation – Performance correlation 0.51, and t-value (β) 8.57 with the p-value < 0.001 , which supports the hypothesis H3.
- H4: Institutional Voids - Business Innovation correlation 0.18, and t-value (β) 2.84 with the p-value < 0.005 , which supports the hypothesis H4. Whereas, the entrepreneurial orientation correlation is 0.24 and the t-value (β) is 4.91, with p-value < 0.001 .

Each of the hypothetical paths was significant ($p < 0.01$), which proved that institutional voids have a positive impact on entrepreneurial orientation, which, in turn, leads to the growth of innovativeness and performance among street vendors. These results are consistent with the existing empirical literature, which indicates that institutional voids promote innovative problem-solving and the bricolage of resources in informal settings.

The partial mediation was supported by the Institutions Void on Business Innovation, which had an indirect effect on Entrepreneurial Orientation ($\beta = 0.24$, $p < 0.001$). The path results were supported by a robustness check based on Hierarchical Multiple Regression. Variance inflation factors were less than 2.5, indicating no multicollinearity, and the adjusted R^2 was stable (Business Innovation: 0.45; Performance: 0.50).

Therefore, empirical evidence shows that street vendors can adapt to institutional deficiencies by adopting proactive, risk-taking entrepreneurial orientations. In its turn, this orientation leads to the development of innovative practices, including mobile vending, diversification of products, and marketing in local contexts, that promote financial and social performance. The findings are an extension of Institutional Theory (North, 1990) and Resource-Based View (RBV) (Barney, 1991) and serve as an example of how informal entrepreneurs use institutional weaknesses as sources of opportunity and novelty instead of constraints. The results reveal the thesis that informality may be considered as a place where entrepreneurial experimentation takes place, especially when formal institutional support is scarce. Policymakers should therefore develop empowering structures to accept street vendors as micro-entrepreneurs and integrate them into urban innovation systems.

5. Discussion and Conclusion

5.1 Discussion

This research paper was able to consider examines the effects of institutional voids on entrepreneurial orientation (EO) and, consequently, on informal business innovation (IBI) among street vendors in urban Bangladesh. Results endorse every relation made posited in the hypothesis and provide strong empirical evidence for the theory claims made about the informal entrepreneurial ecosystem.

Voids in institutions - Entrepreneurial Orientation (H1)

The street vendors that are influential in terms of weak regulations, financial, and infrastructural protection have high EO. This is in line with the Institutional Theory (North, 1990), which reveals that constraints may trigger innovative, risk-taking, and proactive behaviors. The results confirm the existing literature that underlines the adoption of a strategic approach to institutional void by actors in informal markets.

Entrepreneurship Orientation - Informal Business Innovation (H2)

The vendors that have achieved better EO apply innovative changes, such as mobile selling contacts, cost-effective product innovations, and client-centered solutions. Such findings

confirm Bricolage Theory (Baker & Nelson, 2005), where actors with limited resources transform opportunities into new solutions.

Informal Business Innovation (direct and mediated effects, H3 and H4) between institutional Voids and institutional Voids.

Institutional voids have direct as well as indirect impacts on IBI. EO partial mediation suggests that the effect of institutional pressures on innovation is increased by individual-level entrepreneurial behaviors. Such a twofold direction supports the significance of the multilevel interactions in the study of informal entrepreneurship.

There is a relationship between innovations introduced by street vendors and better economic results, such as income and customer retention. This points out to the fact that informal innovations are not subsistence strategies, but rather substantive, which substantiates the argument that informal entrepreneurship can play an important role in urban economies. On the whole, the findings reveal that the institutional void can serve as both a limiting factor and an opportunity, and that the entrepreneurial orientation is an imperative mechanism that transforms environmental pressures into adaptive innovation.

5.2 Theoretical Implications

The rewording of Informality as Entrepreneurial - Having empirically determined that EO mediates the impact of institutional voids on innovation, the study contributes to a revision of traditional perceptions of informal vendors as subsistence actors and redefines them as micro-entrepreneurs.

A combination of the Institutional Theory and Bricolage - The connection between the macro-level institutional vacuity and micro-level entrepreneurial actions would offer a multilevel explanation of informal sector innovation. This fills the gaps in the literature by demonstrating how restrictions may result in adaptations driven by opportunity.

Mediation Mechanism validation - Empirical evidence in individual agency, based on the demonstration of partial mediation, lends support to theoretical assertions about how institutional settings are transformed into innovation. This fills a research gap in the quantitative studies on informal entrepreneurship and provides a framework to be followed in future research.

5.3 Managerial and Policy Implications.

For Policymakers

- Treat the vendors as micro-entrepreneurs and incorporate them in the urban planning.
- Offer low-cost infrastructure (e.g., managed vending areas, sanitation, electricity) to facilitate a sustainable informal innovation.
- Enhance easy financial services and simplified registration schemes.

In the case of Development Practitioners.

- Instead, introduce programs on frugal innovation, EO, and market responsiveness.
- Foster an association of support vendors so that both innovation and sharing of resources can be effective.

For Vendors

- Promote peer-to-peer sharing of knowledge on best business practices.
- Test small-scale product, service, or sales location innovations to achieve maximum performance at minimal risk.

5.4 Limitations

- The cross-sectional design restricts a causal study; longitudinal research is advisable.

- Self-report measures are prone to bias; it is alleviated by anonymity, pilot testing, and statistical tests (Harman single-factor, HTMT).
- Context specificity – the results are drawn from street vendors in Dhaka, Bangladesh; caution is warranted when generalizing findings to other urban contexts, countries, or vendor types operating under different institutional conditions.
- Measurement adaptation- scales modified to an informal setting, pilot testing validity and reliability.
- Potential endogeneity-robustness tests, such as control variables and other model specifications, were used; panel data could also help in this regard.

5.5 Future Research Directions

- Longitudinal research to determine causal relations among institutional voids, EO, and innovation.
- Cross-country analysis of the impact of institutional contexts on informal entrepreneurship.
- Experiments (e.g., interventions, e.g., microfinance, training programs) in the field-testing interventions (e.g., by focusing on vendor innovation and performance) in the field.
- The influence of social networks and digital platforms on entrepreneurial orientation and the diffusion of innovation.
- Sustainability-based innovations- examine the possibility of frugal innovations to be environmentally and socially sustainable.
- The directions are in response to the expectations of novelty and provide practical implications to researchers and policymakers.

5.6 Conclusion

This paper adds to the knowledge of understanding street vendors as entrepreneurs by showing that institutional voids, which were perceived as restricting factors, can, in fact, enable entrepreneurial orientation (EO) and informal business innovation (IBI). The informal economy in Dhaka has been empirically demonstrated to be an environment where its street vendors are not victims of poor institutions but a source of adaptation and innovation. They practice entrepreneurial bricolage - to innovate on a small scale - which helps them to survive in the face of uncertainty and earn their livelihoods.

The analysis provides a solid rationale for the theoretical hypothesis according to which institutional deficiencies are the catalysts of entrepreneurial behavior, which, in turn, encourages innovation. The positive and statistically significant correlations between institutional voids, EO, and IBI prove that entrepreneurial orientation is a behavioral mediator, which changes the environmental constraints into opportunities. Through the validation of the partial mediation of EO, the research offers empirical evidence on the existence of micro-macro relationships in which macro-level institutional environments influence the micro-level entrepreneurial performance. This observation supports and expands the Institutional Theory (North, 1990) and Bricolage Theory (Baker and Nelson, 2005) by depicting that informal participants in developing economies create their rules of play where formal institutions are not present.

Between the policy and developmental perspective, this paper redefines informal street vending as a means of survival as opposed to micro-entrepreneurship that exists within the social and economic context of the urban informal economy. This re-conceptualization opposes the conventional discourse that informality is a regulatory issue. Rather, it makes

street vendors legitimate players in urban innovation systems. Appreciating and enabling their entrepreneurial potential via inclusive policy vehicles, e.g., access to microfinance, special vending areas, digital payment options, and entrepreneurial orientation training, could improve both local innovation and urban sustainability.

The research also contributes to the literature by empirically incorporating the behavior aspect of entrepreneurship in the institutional condition of informality. It proves that entrepreneurial orientation, i.e., innovativeness, proactiveness, and risk-taking, is a crucial internal advantage that offsets the weakness of external institutions. The understanding reinforces the Resource-Based View (RBV) by demonstrating that even in the conditions of severe resource scarcity, intangible capabilities, including EO, may be used to generate value and improve competitiveness.

In addition, the results have extended applications to development and urban policy theories in the emerging economies. Determining the duality of the concept of institutional voids, as a limitation and driving force, the study focuses on the idea that the informal economy is not only a symptom of underdevelopment but also a laboratory of innovation. The informal actors come up with different systems of governance, localized markets, and improvisational strategies that add value to the urban economy in invisible yet relevant ways. This adaptive resilience is a type of inclusive innovation where marginalized groups develop economic solutions together with institutional neglect.

To sum it all up, this paper empirically confirms the hypothesis that individual actors who have high entrepreneurial orientation can create entrepreneurship in an institutional vacuum. Through their daily adaptive innovation, street vendors form a living practice of grassroots business that destroys the line between survival and opportunity businesses. Their activities show how institutional restrictions can actually encourage and facilitate creativity and resilience, rather than hinder it.

For researchers, this study can be used as an empirical model that can be replicated to analyze informal entrepreneurship in terms of mediation models between the institutional context and innovation behavior. For policymakers, it is a demonstration that empowering the informal entrepreneurs is more sustainable in terms of urban inclusion, urban innovation, and job creation, as opposed to penalizing them. Finally, the paper re-contextualizes the debate on informality not in terms of an economic vice, but as a shifting and shifting border of entrepreneurial possibility in emerging economies.

Informed Consent Statement: *All subjects in the study were informed of their right to provide informed consent. Participation was voluntary, data were collected anonymously, and no personal data (identifying or sensitive) was recorded.*

Conflicts of Interest: *The authors declare no conflicts of interest.*

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