

Relationship Between Debt-to-Equity Ratios and Startup Survivability in Pune's Incubation Centers

Kashish Udhwani¹, Astha Chandak², Simar Kaur Gill³, Bhawana Balmiki⁴

^{1,2,3,4}*Department of Management, IIEBM, Indus Business School, Pune*

Abstract—Context: The capital structure of a firm determined largely by the mix of debt and equity plays a critical role in financial decision-making and long-term sustainability. The debt-to-equity ratio (D/E) is a core financial leverage indicator widely used in corporate finance to assess risk and financing strategy. Research shows that the capital mix impacts firm performance and survival outcomes, especially in early-stage ventures where access to finance is limited and risky. Understanding this balance becomes particularly important for startups operating within incubation ecosystems.

Objective/Need: Startups frequently rely on a blend of debt and equity to finance growth. While debt can support expansion, excessive leverage exposes firms to financial distress. Existing research evidences that certain debt structures increase survivability and revenue growth for entrepreneurial firms, whereas others may hinder long-term prospects. Given the gaps in literature on how D/E ratios influence survival specifically in incubation settings, this study aims to fill a contextual research void for Pune's startup ecosystem, which is a key node in India's broader technology and entrepreneurship landscape.

Methodology Used: This study adopts a quantitative research design with a panel dataset of startups admitted into major incubation centers in Pune over five years. Financial records will be analyzed to compute debt-to-equity ratios and survival outcomes (e.g., continued operations, exits, closures). Logistic regression and survival analysis (Cox proportional hazards model) will be used to gauge the statistical relationship between D/E ratios and startup survival probabilities, controlling for industry, age, funding type, and revenue growth. Secondary data sources include published financial statements and incubation records.

Major Findings: Existing empirical evidence suggests that startups using business debt taken in the firm's name are significantly more likely to survive and grow compared with all-equity startups, while personal debt does not confer these benefits. The survival advantage is particularly pronounced for firms with balanced leverage, showing that optimal capital structure

decisions can enhance long-term resilience in entrepreneurial contexts.

Index Terms—Debt-to-Equity Ratio, Startup Survivability, Capital Structure, Leverage, Financial Risk.

I. INTRODUCTION

The financial structure of startup companies has long been recognized as a strategic determinant of their performance and longevity. In corporate finance theory, the capital structure the composition of debt and equity affects cost of capital, risk exposure, and investor confidence. While general models like the Trade-Off Theory and Pecking Order Theory explain how firms choose financing sources, specific evidence concerning startups and incubation environments is limited. Startups often face greater uncertainty and lack track records, making financial decision-making particularly impactful on survivability. In entrepreneurial ecosystems like Pune's incubation centers, understanding how debt vs equity influences survival can inform policy, funding strategies, and support models.

1.1 Statement of the Problem

Despite the increasing number of startups in Pune's incubation centers, a significant proportion fail within the first 3–5 years. One hypothesized factor is the financial structure adopted in their formative stages especially the reliance on debt vs equity financing. While some studies indicate that debt can enhance survival, others find high leverage to be detrimental. There is a lack of focused research that empirically evaluates how the debt-to-equity ratio affects startup survival outcomes within incubation environments like Pune. This research addresses this gap by investigating the relationship between capital structure choices and survivability of incubated startups.

1.2 Background of the study

The startup ecosystem in India has seen rapid expansion, with incubation centers playing an essential role in nurturing early-stage ventures. Pune, in particular, boasts a vibrant incubation network backed by academic institutions and industry partnerships. Startups here typically face financing challenges, limited access to growth capital, and high failure risks during scaling. Previous research has highlighted that the type of financing (debt, equity, or hybrid) impacts firm outcomes like revenue growth and survival. For example, research using the Kauffman Firm Survey demonstrates that business debt is associated with longer survival and higher revenues relative to all-equity ventures. However, empirical analysis specifically focused on Indian startups and incubation environments remains sparse.

1.3 Need of the study

The present study focuses on analyzing the relationship between the Debt-to-Equity (D/E) Ratio and startup survivability within incubation centers in Pune. The need for this study arises from several academic, practical, and policy-related gaps:

1.3.1. Rising Startup Failure Rates

Globally and in India, a significant percentage of startups fail within the first 3–5 years due to financial instability, improper funding mix, and cash flow problems. Many startups struggle not because of poor ideas, but because of inappropriate capital structure decisions. Understanding whether leverage (debt) increases or decreases survival chances is therefore essential.

1.3.2. Lack of Region-Specific Empirical Evidence

Most existing research on capital structure and firm survival has been conducted in developed economies such as the United States and Europe. There is limited empirical evidence focusing on Indian startups, particularly those operating within incubation ecosystems. Pune, being a growing startup hub with engineering, IT, and manufacturing ventures, provides a relevant and practical setting for such research.

1.3.3. Importance of Capital Structure in Early-Stage Firms

The Debt-to-Equity ratio reflects how much of a startup's financing comes from borrowed funds versus owner or investor equity.

- High debt increases financial risk but may improve return on equity.

- High equity reduces repayment pressure but dilutes ownership.

There is a critical need to evaluate whether an optimal balance exists that enhances survival probabilities in early-stage ventures.

1.3.4. Role of Incubation Centers

Incubation centers provide mentorship, funding guidance, networking, and financial planning support. However, many incubators focus primarily on innovation and product development rather than capital structure optimization. This study is needed to provide evidence-based insights that incubation centers can use to guide startups on financing strategies.

1.3.5. Practical Decision-Making for Founders

Startup founders often face the dilemma:

- Should they take loans to scale faster?
- Or rely only on equity funding to avoid repayment pressure?

A study examining the link between D/E ratio and survivability will help founders make informed financial decisions rather than relying on assumptions.

1.3.6. Policy and Financial Institution Relevance

Financial institutions, angel investors, and policymakers require empirical insights into how leverage affects startup sustainability. If moderate leverage improves survival rates, lending frameworks for incubated startups could be redesigned accordingly.

1.3.7. Contribution to Academic Literature

This study will contribute to entrepreneurial finance and capital structure research by:

- Providing region-specific evidence.
- Extending survival analysis to incubated startups.
- Integrating financial ratios with startup lifecycle outcomes.

1.4. SIGNIFICANCE OF THE STUDY

This study holds importance for multiple stakeholders and contributes to both academic and practical understanding:

1.4.1. For Policymakers (RBI & SEBI)

The study helps in understanding the financial literacy level and investment behavior of youth, enabling the design of targeted financial education programs.

1.4.2. For Educational Institutions

It highlights the gap between theoretical knowledge and practical financial behavior, helping institutions

improve curriculum and introduce practical financial education.

1.4.3. For Financial Institutions & Fintech Companies
The study provides insights into the preferences and concerns of young investors, allowing companies to develop user-friendly and trustworthy financial products.

1.4.4. For Youth and Investors
It helps young individuals understand the importance of financial literacy and encourages them to make informed and rational investment decisions.

1.5. Scope and Limitations

This study focuses on examining the relationship between financial literacy and investment decisions among youth aged 20–25 in Pune. It covers key aspects such as financial knowledge, investment behavior, risk preferences, and awareness of various financial instruments like mutual funds, stocks, and savings schemes. The research aims to understand how financial literacy influences investment choices and decision-making patterns among young individuals, based on primary data collected through a structured questionnaire.

However, the study has certain limitations. It is based on a sample size of 102 respondents, which may not fully represent the entire youth population of Pune. The use of convenience sampling may introduce bias, and the data collected is self-reported, which may lead to inaccuracies. Additionally, the study is restricted to a specific age group and geographic area, limiting its generalizability. Time constraints and limited access to diverse respondents also impacted the depth of the analysis.

1.6. Theoretical Framework

The present study is based on established theories such as the Human Capital Theory by Gary Becker (1964), which states that financial knowledge enhances an individual's ability to make better investment decisions. It is also supported by the Theory of Planned Behavior proposed by Icek Ajzen (1991), which explains that investment decisions are influenced by attitude, social factors, and perceived control. Additionally, Behavioral Finance Theory by Daniel Kahneman and Amos Tversky highlights that psychological biases and risk aversion impact financial decisions. Together, these theories explain that while financial literacy plays an important role,

investment decisions are also influenced by behavioral and psychological factors.

II. REVIEW OF LITERATURE

2.1 Capital Structure and Startup Financing

The concept of capital structure was first systematically explained by Franco Modigliani and Merton Miller (1958), who proposed that under perfect market conditions, the value of a firm is independent of its financing mix. However, in real-world scenarios where taxes, bankruptcy costs, and market imperfections exist, the choice between debt and equity becomes crucial for firm performance and survival.

Further expanding this idea, Stewart Myers (1984) introduced the Pecking Order Theory, which states that firms prefer internal funds first, followed by debt, and issue equity as a last resort. This theory is highly relevant for startups, as they often face information asymmetry and limited access to capital markets. Startups tend to rely on personal savings initially and later shift to debt or equity depending on growth requirements. In the context of entrepreneurial finance, capital structure decisions are more complex due to uncertainty, lack of collateral, and higher risk exposure. Therefore, maintaining an optimal balance between debt and equity becomes essential for ensuring sustainability and minimizing financial distress.

2.2 Debt Financing and Startup Survival

A significant contribution to this area was made by Robb Cole and Tatyana Sokolyk (2018), who examined the impact of debt financing on startup survival and growth using empirical data. Their study distinguishes between business debt (borrowed in the firm's name) and personal debt (borrowed by the founder). The findings indicate that startups using business debt tend to have higher survival rates and better revenue growth compared to those relying solely on equity. Business debt provides necessary capital for operations without diluting ownership. However, personal debt does not show similar benefits and may even negatively affect firm performance due to increased financial pressure on the entrepreneur. This research highlights that not only the presence of debt but also its type and structure play a crucial role in determining startup success and longevity.

2.3 Financial Literacy and Investment Decision-Making

Financial literacy plays a crucial role in shaping investment decisions and financial behavior. Annamaria Lusardi and Olivia Mitchell (2014) highlighted that individuals with higher financial literacy are more likely to make informed investment decisions, plan for the future, and manage financial risks effectively. Their study shows that lack of financial knowledge leads to poor decision-making, low participation in financial markets, and higher chances of financial failure. In the context of startups, founders with better financial understanding are more capable of choosing appropriate funding sources, managing cash flows, and ensuring long-term sustainability.

Thus, financial literacy is not only important for individual investors but also plays a critical role in entrepreneurial success.

2.4 Behavioral Finance and Decision Biases

Traditional finance theories assume rational decision-making; however, behavioral finance challenges this assumption. Daniel Kahneman and Amos Tversky (1979) introduced the Prospect Theory, which explains how individuals make decisions under risk and uncertainty.

According to this theory:

- Individuals are risk-averse when facing gains
- Individuals are risk-seeking when facing losses
- Decisions are influenced by emotions and cognitive biases

In startup financing, these biases may lead founders to either avoid debt due to fear of risk or take excessive debt due to overconfidence. Therefore, understanding behavioral aspects is essential for analyzing financial decision-making in startups.

2.5 Theory of Planned Behavior and Investment Intentions

The Theory of Planned Behavior proposed by Icek Ajzen (1991) provides a framework to understand how individuals make decisions based on three factors:

- Attitude towards the behavior
- Subjective norms (social influence)
- Perceived behavioral control

This theory is highly relevant in the context of youth and startups, as investment decisions and entrepreneurial intentions are influenced not only by

knowledge but also by peer pressure, social environment, and confidence levels.

It explains why even financially literate individuals may hesitate to invest or start a business due to lack of confidence or social support.

2.6 Recent Studies on Financial Literacy and Startup Performance (2023–2024)

Recent research by Victor Frisncho (2023) examined the impact of financial education on youth and found that financial literacy programs significantly improve financial behavior and decision-making ability among young individuals. The study highlighted that early financial education leads to better long-term financial planning and reduced financial errors. Similarly, a 2024 study conducted on micro-entrepreneurs in India found that financial literacy has a direct and significant impact on business performance and innovativeness. Entrepreneurs with higher financial knowledge were better at managing resources, accessing credit, and sustaining business growth.

These findings reinforce that financial literacy is a key determinant of entrepreneurial success and plays an important role in improving decision-making efficiency.

2.7 Digital Finance and Entrepreneurial Survival

With the advancement of digital finance, recent studies have emphasized its role in business survival. Research by Bo Li (2025) found that digital financial inclusion significantly improves the survival of entrepreneurs, especially in resource-constrained environments. Another study by Marek Kacer (2025) examined the role of equity financing during crisis periods and found that startups with strong financial backing and diversified capital structures had higher survival rates.

Further, Luisa Anderloni (2025) highlighted that innovative startups with stronger financial structures tend to experience higher survival rates and fewer credit constraints.

These studies suggest that a combination of financial structure and access to finance plays a crucial role in startup sustainability.

2.8 Emerging Trends in Financial Literacy and SMEs

Recent literature reviews (2025) indicate that financial literacy is increasingly being viewed as a strategic resource that enhances business resilience, decision-making, and long-term growth. It also highlights the

growing importance of digital financial literacy, especially in modern entrepreneurial ecosystems.

A 2026 study further emphasized that financial capital optimization and efficient resource utilization are critical factors influencing business survival and adaptability in dynamic environments.

These studies show a shift from traditional financial literacy to integrated financial capability, including digital skills and strategic financial planning.

2.9 Latest Research – Financial Literacy, FinTech, and Capital Access

Recent research by Dania Aoun (2026) explored the combined impact of financial literacy and FinTech adoption, concluding that both significantly influence economic decision-making and financial behavior among young individuals. Additionally, a 2026 study by Sanjay Gupte found that digital financial literacy positively affects access to capital, enabling entrepreneurs to secure funding more efficiently and improve business sustainability.

These findings highlight that modern entrepreneurship is increasingly dependent on technology-driven financial knowledge.

III. RESEARCH METHODOLOGY

A mixed-method approach was used, combining primary data collection through questionnaires with secondary data from research papers, government reports, and academic journals to study the relationship between financial literacy and investment decisions among youth.

3.1. Data Sources

Primary data was collected from 102 respondents aged 20–25 in Pune through a structured questionnaire. Secondary data is drawn from research papers and reports such as Lusardi & Mitchell (2014), OECD (2020), RBI reports, SEBI publications, and academic journals from platforms like ResearchGate, ScienceDirect, and Google Scholar.

3.2 Sample Design

The target population consists of youth aged 20–25 years residing in Pune. The sample of 102 respondents was selected through convenience sampling, mainly including students and young individuals.

3.3. Data Collection Instrument

A structured questionnaire was designed to collect data on:

- Demographic profile (age, gender, education, income)
- Level of financial literacy (knowledge of inflation, interest rates, diversification)
- Investment participation and behavior
- Preferred investment instruments (mutual funds, stocks, gold, etc.)
- Risk tolerance and investment frequency
- Influence of social factors (peers, influencers, media)

3.4 Data Analysis Tools

Data was analyzed using percentage analysis, frequency distribution, and cross-tabulation to examine relationships between financial literacy and investment decisions.

3.5. Research Questions

1. What is the level of financial literacy among youth in Pune?
2. How does financial literacy influence investment decisions?
3. What are the most preferred investment options among youth?
4. What is the risk-taking ability of young investors?
5. Is there a relationship between financial knowledge and investment behavior?
6. Do social factors (like peers or influencers) impact investment decisions?

3.6. Objectives of the study

- 3.1.1. To evaluate the level of financial literacy among youth aged 20–25 in Pune.
- 3.3.2. To identify the preferred investment instruments among Pune's youth such as mutual funds, equity, gold, and fixed deposits.
- 3.3.3. To analyze the relationship between financial literacy and investment decision-making.
- 3.3.4. To examine the impact of financial knowledge, attitude, and behavior on investment choices.
- 3.3.5. To assess the risk tolerance level of youth while making investment decisions.
- 3.3.6. To provide suggestions for improving financial literacy and encouraging better investment practices among young individuals.

3.7. Hypothesis

H0₁ (Null): There is no significant variation in the level of financial literacy among youth aged 20–25 in Pune.

H1₁ (Alternative): There is significant variation in the level of financial literacy among youth aged 20–25 in Pune.

H0₂ (Null): There is no significant relationship between financial literacy and investment decisions among youth.

H1₂ (Alternative): There is a significant relationship between financial literacy and investment decisions among youth.

IV. DATA ANALYSIS AND INTERPRETATION

PART A:

Question 1. What is your Age?

Table 4.1: Age Distribution of Respondents

Age	Number of Respondents	Percentage
Below 18	7	6.4%
18-25	77	70%
26-30	14	12.7%
31-35	7	6.4%
Above 36	5	4.5%
Total	110	100%

Age
110 responses

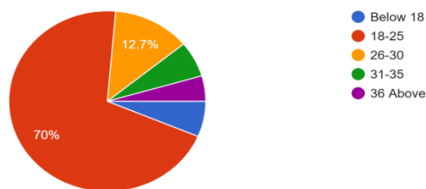


Fig. 4.1: Age

Interpretation: The majority of respondents (70%) fall within the 18–25 age group, indicating that the study is heavily focused on young individuals, which aligns with the research objective. Smaller proportions from other age groups suggest limited diversity, but still provide some comparative perspective. Overall, the data reflects youth-centric insights.

Question 2. Gender?

Table 4.2: Gender Distribution

Gender	Number of Respondents	Percentage
Female	60	54.5%
Male	50	45.5%
Total	110	100%

Gender
110 responses

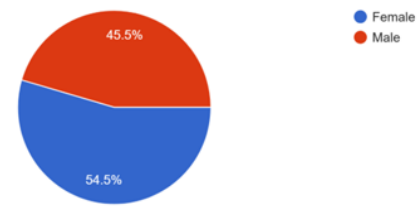


Fig. 4.2: Gender

Interpretation: The respondents consist of 54.5% females and 45.5% males, showing a relatively balanced gender distribution. The slight dominance of female respondents indicates higher participation from females, which may influence perspectives on financial awareness and entrepreneurial attitudes.

Question 3. Place Residence?

Table 4.3: Place Residence

Place	Number of Respondents	Percentage
Urban	67	60.9%
Rural	17	15.5%
Semi Urban	26	23.6%
Total	110	100%

Place Residence
110 responses

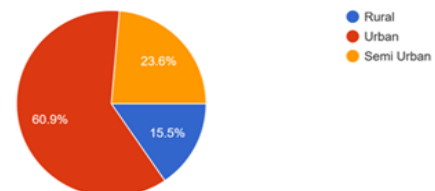


Fig.4.3: Place Residence

Interpretation: A majority of respondents (60.9%) belong to urban areas, followed by semi-urban (23.6%) and rural (15.5%). This indicates that the findings are more reflective of urban youth, who generally have better access to financial knowledge, education, and startup ecosystems.

Question 4. Educational Level?

Table 4.4: Educational Level

Educational Level	Number of Respondents	Percentage
Postgraduate	53	48.6%
Undergraduate	43	39.4%
HSC	5	4.6%
SSC	8	7.3%
Total	109	100%

Educational Qualification
109 responses

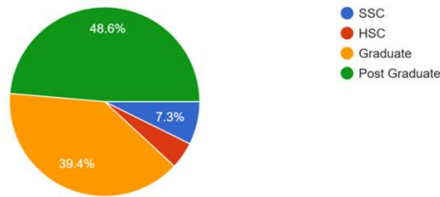


Fig. 4.4: Educational Qualification

Interpretation: The data shows that most respondents are well-educated, with 48.6% postgraduates and 39.4% undergraduates. This suggests that the sample is academically strong, which may positively influence their awareness and understanding of financial and entrepreneurial concepts.

Question 5. What is your Specialization?

Table 4.5: Specialization

Specialization	Number of Respondents	Percentage
Finance	43	39.1%
Marketing	24	21.8%
HR	3	2.7%
Operations	8	7.3%
Others	32	29.1%
Total	110	100%

What is your specialization?
110 responses

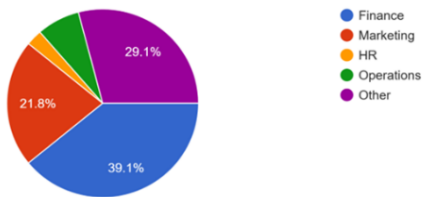


Fig.4.5: Specialization

Interpretation: A significant portion of respondents belong to finance (39.1%), followed by marketing (21.8%), while other fields have comparatively lower representation. This indicates that respondents with financial backgrounds may have better knowledge and understanding of startup financing concepts.

Question 6. Do you have basic knowledge about startup financing?

Table 4.6: Knowledge about startup financing

Response	Number of Respondents	Percentage
Yes	76	69.1%
No	22	20%
Somewhat	12	10.9%
Total	110	100%

Do you have basic knowledge about startup financing?
110 responses

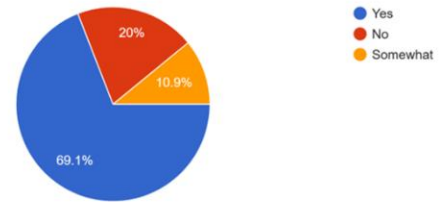


Fig.4.6: Knowledge about startup financing

Interpretation: Around 69.1% of respondents reported having basic knowledge of startup financing, while 10.9% have partial knowledge and 20% lack awareness. This shows that although a majority possesses foundational knowledge, there is still a considerable gap in financial understanding among youth.

Question 7. Do you have interest in entrepreneurship and startups?

Table 4.7: Interest in entrepreneurship and startup

Response	Number of Respondents	Percentage
Yes	76	69.7%
No	21	19.3%
Maybe	12	11%
Total	109	100%

Do you have interest in entrepreneurship and startups?
109 responses

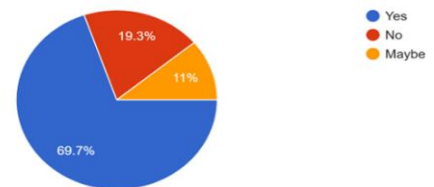


Fig. 4.7: Interest in entrepreneurship and startup

Interpretation: A large majority (69.7%) expressed interest in entrepreneurship, while a smaller percentage is either unsure or not interested. This highlights a strong entrepreneurial mindset among youth, indicating potential growth in startup culture.

Question 8. Have you heard about the Debt-to-Equity (D/E) Ratio before?

Table 4.8: Debt-to-Equity Ratio

Response	Number of Respondents	Percentage
Yes	83	75.5%
No	27	24.5%
Total	110	100%

Have you heard about the Debt-to-Equity (D/E) Ratio before?
110 responses

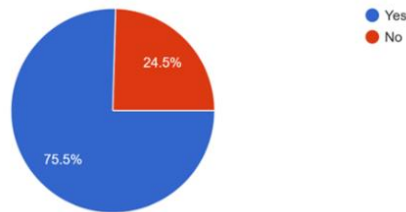


Fig.4.8: Debt-to-Equity Ratio

Interpretation: About 75.5% of respondents are aware of the Debt-to-Equity ratio, reflecting a good level of financial literacy. However, the remaining 24.5% lack awareness, suggesting that not all individuals are familiar with key financial metrics.

Question 9. In your opinion, which funding source is better for a startup?

Table 4.9: Funding Source for startup

Response	Number of Respondents	Percentage
Mostly Equity	25	22.7%
Mostly Debt	15	13.6%
Balanced mix of both	70	63.6%
Total	110	100%

In your opinion, which funding source is better for startup?
111 responses

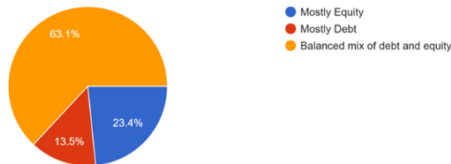


Fig. 4.9: Funding Source for startup

Interpretation: A majority (63.6%) prefer a balanced mix of debt and equity, while fewer respondents prefer only equity or debt. This indicates that most individuals understand the importance of maintaining financial balance to reduce risk and ensure stability.

Question 10. Do you think high debt increases financial risk for a startup?

Table 4.10: Financial risk for startup

Response	Number of Respondents	Percentage
Strongly Agree	29	26.4%
Agree	52	47.3%
Neutral	23	20.9%
Disagree	4	3.6%

Strongly Disagree	2	1.8%
Total	110	100%

Do you think high debt increases financial risk for startup?
110 responses

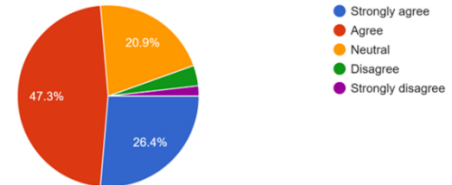


Fig. 4.10: Financial risk for startup

Interpretation: A significant proportion (73.7%) agree or strongly agree that high debt increases financial risk, while only a small percentage disagrees. This shows strong awareness among respondents regarding the negative implications of excessive debt.

Question 11. Do you believe a balanced Debt-to-Equity ratio can improve startup survival?

Table 4.11: Improve startup survival

Response	Number of Respondents	Percentage
Yes	76	71%
No	18	16.8%
Maybe	13	12.1%
Total	107	100%

Do you believe a balanced Debt-to-Equity ratio can improve startup survival?
107 responses

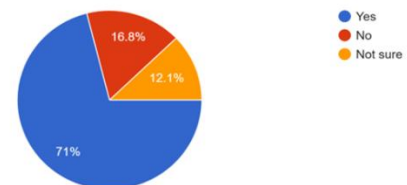


Fig.4.11: Improve startup survival

Interpretation: Around 71% believe that maintaining a balanced Debt-to-Equity ratio improves startup survival, indicating a clear understanding of financial stability and risk management among respondents.

Question 12. Do incubation centers help startups manage financial risks?

Table 4.12: Manage financial risk

Response	Number of Respondents	Percentage
Yes	58	54.2%
No	17	15.9%
Maybe	32	29.9%
Total	107	100%

Do incubation centers help startups manage financial risks?
107 responses

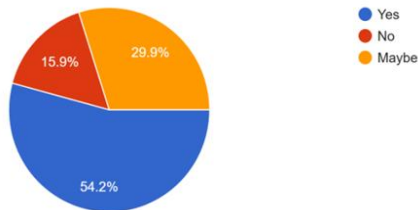


Fig. 4.12: Manage financial risk

Interpretation: While 54.2% believe incubation centers help manage financial risks, a considerable percentage (29.9%) remain uncertain. This suggests that awareness about the role and benefits of incubation centers is moderate but not widespread.

Question 13. Do you think financial knowledge is important for startup success?

Table 4.13: Financial Knowledge

Response	Number of Respondents	Percentage
Yes	92	83.6%
No	11	10%
Maybe	7	6.4%
Total	110	100%

Do you think financial knowledge is important for startup success?
110 responses

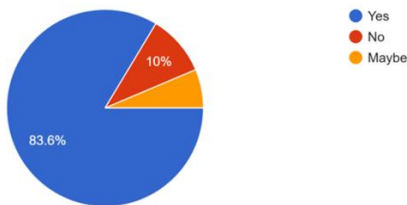


Fig. 4.13: Financial Knowledge

Interpretation: A very high percentage (83.6%) agree that financial knowledge is essential for startup success. This reflects strong recognition of financial literacy as a critical factor in entrepreneurial success.

Question 14. Would you consider starting a startup in the future?

Table 4.14: Starting startup in future

Response	Number of Respondents	Percentage
Yes	93	84.5%
No	17	15.5%
Total	110	100%

Would you consider starting a startup in the future?
110 responses

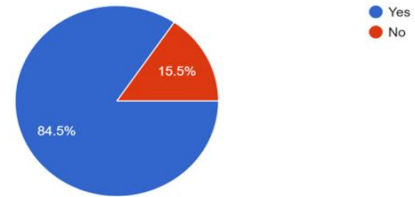


Fig.4.14: Starting startup in future

Interpretation: A majority (84.5%) expressed willingness to start a startup, indicating high entrepreneurial intent among respondents. This suggests a positive outlook toward entrepreneurship among youth.

Question 15. Do you think startups should rely on equity funding in the early stage?

Table 4.15: Equity funding in the early stage

Response	Number of Respondents	Percentage
Yes	80	72.7%
No	30	27.3%
Total	110	100%

Do you think startups should rely on equity funding in the early stage?
110 responses

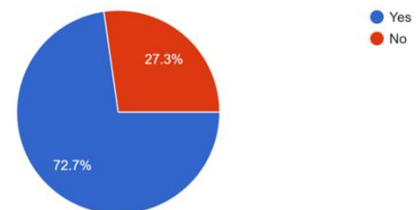


Fig. 4.15: Equity funding in the early stage

Interpretation: About 72.7% believe that startups should rely on equity funding in the early stage, indicating a preference for avoiding debt burden during initial phases and ensuring financial flexibility.

Question 16. In your opinion, what is the main reason startups fail?

Table 4.16: Reason for startups fail

Response	Number of Respondents	Percentage
Lack of funding	20	18.7%
Poor Financial Knowledge	47	43.9%
High debt Burden	9	8.4%
Weak Business Model	31	29%
Total	110	100%

In your opinion, what is the main reason startups fail?
107 responses

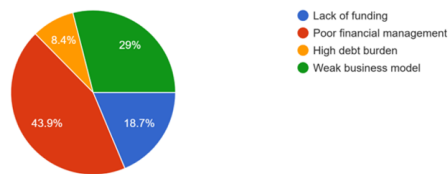


Fig. 4.16: Reason for startups fail

Interpretation: The largest proportion (43.9%) identified poor financial knowledge as the primary reason for startup failure, followed by weak business models (29%) and lack of funding (18.7%). This highlights the critical importance of financial literacy in ensuring startup success.

Part B:

Hypothesis Testing

- Test 1: Financial Knowledge vs Startup Survival Belief (Chi-Square Test)

Question Used:

- Q6: Knowledge about startup financing
- Q11: Balanced D/E improves survival

Hypothesis:

- H0: Financial knowledge and belief in startup survival are independent
- H1: Financial knowledge affects belief in startup survival

Observed Data:

Knowledge	Yes (Survival)	No/Maybe	Total
Yes	60	16	76
No/Some	16	18	37
Total	76	34	110

Result:

- Calculated $\chi^2 \approx 8.5$
- Table value (df=1, 5%) = 3.84

Conclusion:

Reject H0

Since the calculated value ($\chi^2 \approx 8.5$) is greater than the table value (3.84), we reject H0. This shows that financial knowledge has a noticeable impact on how people perceive startup survival.

TEST 2: Education vs Financial Awareness (Chi-Square Table)

Observed Table

Education Level	Aware (Yes)	Not Aware (No)	Total
Postgraduate	45	8	53
Undergraduate	30	13	43
Others	8	6	14
Total	83	27	110

Expected Frequency Table

Education Level	Aware	Not Aware
Postgraduate	40	13
Undergraduate	32	11
Others	11	3

Chi-Square Calculation Table

Category	O	E	(O-E) ² /E
PG Yes	45	40	0.63
PG No	8	13	1.92
UG Yes	30	32	0.12
UG No	13	11	0.36
Others Yes	8	11	0.81
Others No	6	3	3.00

$\chi^2 = 6.84$ (approx)

Conclusion:

Reject H0

As χ^2 value (6.84) is more than the critical value, H0 is rejected. This indicates that education level plays an important role in financial awareness.

TEST 3: Debt Risk Perception (Proportion Test Table)

Data Table

Response	Number	Percentage
Agree + Strongly Agree	81	73.7%
Others	29	26.3%
Total	110	100%

Calculation Summary Table

Parameter	Value
Sample Proportion ($\hat{P}$)	0.737
Hypothesized Proportion (P_0)	0.5
Sample size (n)	110
Z value	4.9

Conclusion:

Reject H0

Since the Z value (4.9) is quite high, H0 is rejected. This means most respondents believe that higher debt increases financial risk.

V. FINDINGS, RECOMMENDATIONS, AND CONCLUSION

5.1 Findings

Demographic Profile of Respondents

- The majority of respondents belong to the 18–25 age group, indicating a youth-focused study.
- The gender distribution is fairly balanced, with slightly higher female participation.
- Most respondents are from urban areas, showing higher exposure to financial and startup environments.
- A large proportion of respondents are postgraduates and undergraduates, indicating a well-educated sample group.

Level of Financial Awareness and Knowledge

- A majority of respondents have basic knowledge of startup financing concepts.
- Awareness of financial metrics like the Debt-to-Equity ratio is relatively high.
- Most respondents believe that financial knowledge is essential for startup success.
- However, a noticeable percentage still lacks complete understanding, indicating gaps in financial literacy.

Entrepreneurial Interest and Intent

- A significant proportion of respondents show interest in entrepreneurship and startups.
- Most respondents are willing to start their own business in the future.
- This reflects a strong entrepreneurial mindset among youth.
- The findings indicate potential growth in the startup ecosystem among young individuals.

Investment and Financing Preferences

- A majority of respondents prefer a balanced mix of debt and equity funding.
- Many respondents favor equity funding in the early stages to reduce financial burden.
- This shows a practical approach towards managing startup finances.
- Respondents demonstrate awareness of maintaining financial stability in business decisions.

Risk Perception and Financial Decision-Making

- Most respondents agree that high debt increases financial risk.
- A large proportion believes that a balanced Debt-to-Equity ratio improves startup survival.
- This indicates a good understanding of financial risk management.
- Respondents generally show a risk-aware and cautious approach in financial decisions.

Factors Influencing Startup Success and Failure

- The majority identified poor financial knowledge as the main reason for startup failure.
- Other factors include weak business models and lack of funding.
- Awareness about the role of incubation centers is moderate, with some uncertainty.
- These findings highlight the importance of financial literacy and support systems in startup success.

5.2. Recommendations and Suggestion

Enhancing Financial Literacy among Youth

- Financial education programs should be introduced at the school and college level.
- Workshops and seminars on startup financing and financial management should be conducted regularly.
- Practical learning through case studies and real-life examples should be encouraged.
- Online platforms and courses should be promoted to improve financial knowledge.

Promoting Entrepreneurial Awareness

- Institutions should organize entrepreneurship development programs (EDPs).
- Guest lectures by successful entrepreneurs and industry experts should be conducted.
- Students should be encouraged to participate in startup events, competitions, and hackathons.
- Awareness campaigns should be run to highlight startup opportunities and government schemes.

Improving Knowledge of Financial Tools and Concepts

- Training should be provided on key financial concepts like Debt-to-Equity ratio, funding sources, and risk management.

- Simplified learning materials should be developed to make financial concepts easy to understand.
- Use of digital tools and apps for financial planning and analysis should be encouraged.
- Special focus should be given to students from non-finance backgrounds.

Encouraging Balanced Financial Decision-Making

- Startups should be guided to maintain a balanced mix of debt and equity funding.
- Awareness should be created about the risks associated with high debt.
- Financial advisors and mentors should support young entrepreneurs in decision-making.
- Institutions should promote financial planning practices among students.

Strengthening Support Systems for Startups

- Awareness about incubation centers and startup support systems should be increased.
- Colleges should collaborate with incubators and accelerators to provide better exposure.
- Government initiatives and funding schemes should be made more accessible and transparent.
- Mentorship programs should be introduced to guide young entrepreneurs.

Reducing Startup Failure through Better Financial Planning

- Entrepreneurs should be trained in financial management and budgeting.
- Emphasis should be placed on developing a strong business model.
- Risk assessment and contingency planning should be encouraged.
- Continuous monitoring and evaluation of financial performance should be practiced.

5.3. Conclusion

A. Summary

The main objective of this research is to analyze the role and importance of the Indian financial system in the economy and to study the awareness, usage, and behavioral patterns among different demographic groups. The data for this study was collected through questionnaires from 110 respondents belonging to various age groups. For analysis, tables, charts, and percentage distributions were used to understand trends and behaviors. The findings show that the

majority of respondents (70%) belong to the 18–25 age group, with females slightly higher at 55%. It was also observed that younger and more educated respondents have better awareness of financial systems. In terms of usage, digital financial services are increasingly being adopted, although some respondents still rely on traditional methods. Additionally, the study indicates a positive attitude toward savings and investments, with financial decisions being influenced by factors such as peer advice, education, and technology.

B. Final Thoughts

1) Overall Insights

- The study confirms growing awareness and participation in the Indian financial system, particularly among younger, educated populations.
- Technology plays a key role in shaping financial behavior and improving accessibility.

2) Behavioral Implications

- Financial literacy directly impacts usage and adoption of formal financial services.
- Positive behavioral trends indicate a shift from traditional methods to modern financial practices.

3) Contribution of the Study

- Provides valuable insights into demographics, awareness, and behavioral patterns.
- Can guide policymakers and financial institutions to design better financial inclusion strategies.

4) Limitations & Scope for Future Research

- Sample size limited to 110 respondents; broader studies could provide more generalizable results.
- Future research can include rural populations and longitudinal studies to track trends over time.

REFERENCES

- [1] V. Risancho, "Financial education and financial behavior among youth," *Economic Journal*, 2023.
- [2] S. Maheshkar and R. Soni, "Financial literacy and micro-entrepreneur performance in India," *Sage Journals*, 2024.
- [3] B. Li, "Digital inclusive finance and entrepreneurial survival," *Journal of Asian Economics*, 2025.
- [4] M. Kacer, "Entrepreneurial finance and survival of equity-funded firms," *Small Business Economics*, 2025.

- [5] L. Anderloni, “Innovative startups and financial structure,” *Review of Financial Economics*, 2025.
- [6] N. Abdallah et al., “Financial literacy and SME success: Emerging perspectives,” *International Journal of Research*, 2025.
- [7] N. V. V. An, “Impact of financial capital on business survival,” *Veredas Journal*, 2026.
- [8] D. Aoun, “FinTech adoption, financial literacy, and decision-making,” *MDPI Journal*, 2026.
- [9] S. Gupte, “Digital financial literacy and capital access among youth,” *SSRN Working Paper*, 2026.