

A Study on the Influence of Psychological Factors Affecting the Success of Startups: Indian Perspective

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ABSTRACT

This paper revolves around the concept of start-ups in IT Cities of India. Start-ups are mostly created on the basis of creative and innovative ideas and grown to get success. Start-up companies are newly established companies which generally strive for existence due to some challenges. The basic purpose of this paper is to put some light on the factors influencing the success of startups in IT Cities of India. Factors include Personal factors, Motivational factors and Human resource related factors which is again sub divided into various sub factors having an impact on the success of startups in IT Cities of India. An attempt is made to review the literature and on the basis of which primary data were collected from various Start-up Unit, start-up owner, CEO through questionnaire and the total of 309 respondents have been analysed. On the basis of data collected all the three factors have been analysed and proposed some suggestions and strategies.

Keywords: Personal factors, motivational factors and human resource related factors, industry, innovation and infrastructure, startups

1. INTRODUCTION

Like in many other parts of the world, startups have drawn more attention lately in India. Their population is growing, and they are increasingly acknowledged as key drivers of economic expansion and employment creation. Startups have the ability to provide significant solutions through creativity and scalable technology, which allows them to drive socio-economic development and change. A nation's ability to create jobs and have productive skills are key factors in determining its economic growth. Nonetheless, it has been noted in recent years that the government is finding it challenging to create jobs in order to makeup with the rising demand brought on by the population explosion. And from there, a brand-new idea for startups was developed to lessen the influence of the aforementioned issues. Our Honourable PM Mr. Narendra Modi called for "Start-up India, Stand up India" on August 15, 2015, while he was standing at the Red Fort. "India, the Startup Nation: From a Job Seeker's Paradise to a Creator's Paradise." His remarks echoed the feelings of the Indian people of today; the torch had already been lit in their thoughts. His remarks echoed the feelings of modern India; the country's minds were already fired up to produce amazing goods and businesses that will transform the globe! The call from the PM was a reassurance that the government sympathises with and supports our feelings. A start-up is an entrepreneurial endeavour, usually a recently formed firm that seeks to fill a need in the market by creating a workable business plan centred around a method, product, service, or platform. The word "start-up" is most frequently used by entrepreneurs who want to launch a novel business with the potential to discover undiscovered markets and inventive resources.

In accordance with the amended notification G.S.R. 364(E) released on April 11, 2018, the following entities will be classified as start-ups: If it is registered in India as a partnership firm, a LLP (registered under the LLP Act, 2008), or a private limited company (as defined by the Companies Act, 2013). For a maximum of ten years following the date of incorporation or registration, if its total revenue within any of the fiscal years after registration or incorporation has not surpassed 100 crores rupees. If it aims to innovate, develop, or upgrade goods, services, or processes; if it's a scalable business model with a strong potential to employment or wealth creation Provided that any such entity created by splitting up or reconstruction of a unit already in existence shall not be constituted a 'Start-up'.

2. REVIEW OF LITERATURE

There are numerous studies available regarding start-ups and their determinants in developed nations like USA, Europe, Australia, China and so on. While for the developing nation like India there is still a vacuum in literature review due to scarcity of research work.

however various studies have been done regarding entrepreneurship, entrepreneurs, MSME, and other dimensions related with start-ups like incubation and all., R. & Sánchez-Medina, A. (2010). Groenewegen, G. & De Langen, F. (2012). Gottschalk, S. & Niefert, M. (2013). Gartner, W. & Liao, J. (2012). Garcia-Muiña, F. & Navas-López, J. (2007). Fini, R., Grimaldi, R. & Sobrero, M. (2009), Festel, G., Wuermseher, M. & Cattaneo, G. (2013). Davis, A., & Zweig, A. (2005) are some of the available researches on the topic and discussed about various dimensions of entrepreneurship and start-

ups. Alexandros G. Sahinidis^{1,a}, Evangelos E. Vassiliou², Alina B. Hyz³ (2014), James Okrah Alexander Nepp Ebenezer Agbozo (2018) explicitly noted in their studies about the various factors affecting start-up success. Further Oh-Geun Lee¹, Joo-Sang Jeon² and Do-Sung Na (2016) in his study tried to find out factors that affect the success of business start-ups among the characteristics of business owners of small businesses, factors of the preparation period of starting a business.

In developing country like India, very few comprehensive studies have been done on start-up. However, few studies have been done on various dimensions of the start-ups like start-up financing, venture capitalism, MSME, entrepreneurship, incubation and so on. Dr. S. Manikandan (2013), Dr Suniti Chandiok (2016), Megha R, Priyadarshini R G (2017), Sherry Sabbarwal (2010), Kalpesh kumar L Gupta, Shivali Rathore (2014), Acharya and Geeta Vivek (2018), T, manjunatha. (2014), Kamdaar and Manish, have studied various aspects of start-ups and new ventures related to few domains and correlated factors. In India there is still vacuum for the study of start-ups and the factors influencing the start-ups at various stages of life cycle of a start-up. On the basis of various literature following challenges have been mentioned by various researchers.

3. BACKGROUND AND RATIONALE

When it comes to measure the psychological aspects behind the entrepreneurial journey to the startups and then becoming a unicorn three important pillars in nurturing and fostering startup ecosystem in India are the *personal factors, motivational factors and human resource related factors*.

Personal factors.

Personal Factor, further included four sub factors which indicate the overall personal factor such as

Sole Decision Maker is the power of taking decision alone. Startup owner being the promoter of the business always keen to be a sole decision maker. Unfortunately, however, reality is immensely complex, and we are not blessed with omnipotent knowledge of our circumstances and the workings of the world. Moreover, gathering information is costly – you cannot afford to spend an infinite amount of time gathering information for each decision you take.

Calculated Risks taking propensity is defined as a person's inclination to either take on or avoid risk (Petrakis, 2005). Worldwide, it has been believed that taking calculated risks and having the inclination to do so are crucial for success as an entrepreneur (Carland et al., 1997; Rauch & Frese, 2000). The tendency to take modest risks has been defined as the risk-taking propensity in the research on entrepreneurship (Begley, 1995).

Exploring New Potential (Innovativeness) of An entrepreneur inspires him to come up with novel ideas for doing things, which in turn enables him to take advantage of chances, make use of resources, launch, and maintain new businesses. According to Mueller and Thomas (2000), starting a business is mostly motivated by innovation. Thus, entrepreneurship is an innovative act that gives sustaining resources a new ability to produce income (Ivanova & Gibcus, 2003).

Passion to Achieve (Need for achievement) is a special human motivating quality that can be described as the drive to succeed or accomplish something exceptional. The drive for achievement is described as an inclination to start and maintain any activity that carries a reasonable probability of success or a sense of satisfaction from personal performance in McClelland's 1961 book, "The Achieving Society."

Motivational Factor

Motivational Factor further included five sub factors which indicate the overall motivational factor such as

Desire to Earn: Becoming a millionaire or billionaire is a dream of many, and working as an employee or labour under any business organisation never going to fulfil their dreams, so somehow, becoming an entrepreneur, setting a startup and becoming a unicorn will surely make possible to achieve their dreams.

Fear of Unemployment: Not being a job seeker rather become a job provider. People always have a fear of being unemployed or being terminated from the job every now and then, thus, by becoming an entrepreneur, they want to overcome the fear of being unemployed or terminated.

Implement My Own Business Idea is a crucial psychological trait that aids in understanding a person's entrepreneurial orientation. Self-efficacy in entrepreneurship can be demonstrated by thinking through the activities required to launch and grow new businesses, which is an example of an entrepreneurial act.

Independent Living Being Independent and act autonomously, and not being dependent on others for accomplishing any task is an important characteristic of an entrepreneur (Kuratko & Hodgetts, 1995; Rauch & Frese, 2000). Independence

involves taking the responsibility to perform an act by self-judgement process rather than following the blind opinions of others

Social Prestige and Recognition: Now a days, Social entrepreneurs are Addressing Social and Environmental Challenges by Creating Sustainable Business Models, Promoting Social Impact Measurement and Inspiring and Serving as Role Models as Leaving a Legacy gaining huge Social Prestige and Recognition.

Human Resource Factor

Human Resource Factor, further included four sub factors which indicates the overall Human resource factor such as:

Availability of Skilled Labour Force: study of new businesses by Bamford, Dean, & McDougall (1996) identified acquiring competent/Skilled human resources was critical for a venture's success or failure because HR practices (also called personnel in the literature) influence and may determine if a firm does well in developing its product/service offer. A study of small companies by Chandler & McEvoy (2000) identified the positive effects of HR practices that increased employee skills and motivation, which ultimately resulted in improving productivity. So, Availability of Skilled Labour Force is an important factor determining the success of the startup.

Low Labour Turnover: Employees who have received company training will feel like members of the family. They will be more likely to stick with the company since they will feel appreciated and content in their work. Because they will see themselves as more useful to the company, trained employees will grow to feel more worthy of themselves and more dignified, which will ultimately lead to greater job satisfaction. Retaining skilled employees will improve output in addition to lowering the high expense of hiring new employees.

Imparting Training to the Labour Force : It provides workers with an excellent opportunity to reach their full potential and eventually perform at the best level. The trained personnel will be more inclined to work to the best of their abilities when an entrepreneur or startup owner sees the potential in an employee and then sends that person to classes to advance their skills. The development of new businesses is directly positively impacted by utilising the full capacity of the staff.

Employees Performance Appraisal System: determines startup's success, conducting employee performance appraisal ought to be done appropriately and regularly in order to improve quality of work, reduce employee dissatisfaction and decline in work performance. (Shrestha, S. & Chalidabhongse, J., 2006).

4. THE STUDY

The study deals with Quantitative in methodology. The concept for the research has been drawn out from a concentrated literature review and from which pertinent data were gathered from startups in different Indian IT clusters across different industries in order to provide insight into the factors that determine a start-up's likelihood of success. The study's primary focus is on the variables that determine start-up profitability, turnover, and funding. Apart from these the study also focusses on the various factors such as governmental, incubation and financial support on the success of start-ups in India. The research is divided into three factors i.e., Personal factor, Motivational factor and Human resource factor.

Personal Factor, further included four sub factors which indicates the overall personal factor such as Sole Decision Maker, Calculated Risks, Exploring New Potential. Passion to Achieve

Motivational Factor, further included five sub factors which indicates the overall motivational factor such as Desire to Earn, Fear of Unemployment, Implement My Own Business Idea. Independent Living, Social Prestige and Recognition.

Human Resource Factor, further included four sub factors which indicates the overall Human resource factor such as Availability of Skilled Labour Force, Low Labour Turnover, Imparting Training to the Labour Force, Employees Performance Appraisal System

Sample Design

Population: Our target population are the Owner, CEO and founders of start-ups incorporated before the financial year 2019- 20 in India through census method. The target population sample for the study was the entrepreneurs, CEO and Owners who have started their business (start-ups) from IT Cities and also those who are established as Start-ups by DIPP i.e, Department of Industrial Policy and Promotion. there are around 15 major IT cities in India namely, Hyderabad, Ahmedabad, Gurugram, Bangalore, Bhubaneshwar, Chennai, Mumbai, Jaipur, Chandigarh, Kochi, Noida. Pune, and Delhi.

Sample Size: The sample size for the study was 309 start-ups. The sample was classified into two groups on the basis of location and the start-ups having at least 3 years of operation (year of survival)

Tools Used for Data analysis:

Data was collected using self-administered questionnaire as the research instrument by sample survey method. The start-ups were selected from all three categories Product, Service and Mixed. The Questionnaires were divided into two sections. The first section was about the purpose and introduction of researcher, The second section is about the

psychological factors related questions and responses to scale items measured in different scales. The 5-point Likert scale has been used which is denoted as Strongly Disagree (1) Disagree (2) Undecided (3) Agree (4) Strongly Agree (5). The variables taken for factor affecting were derived from literature Review. For the dependent variables (profitability, turnover, funding and employability) the secondary sources of data collection have been used. A paid service CrunchBase pro has been used to get information about the key success predictor to evaluate success of the startup unit.

Research Objectives.

The objectives of the study are:

1. To study and assess the influence of Personal factor on the success of startups.
2. To study and assess the influence of Motivational factor on the success of startups.
3. To study and assess the influence of Human Resource factor on the success of startups.

Hypothesis of the study

Following research hypothesis has been tested:

H₀₁: There is no significant impact of Personal factor variables on the overall success of the start-ups.

H₀₂: There is no significant impact of Motivational factor variables on the overall success of the startups

H₀₃: There is no significant impact of human resource factor variables on the overall success of the start-ups.

6. ANALYSIS AND INTERPRETATION

Analysis and interpretation

Data are collected from 309 respondents from the selected IT cities of India. Univariate frequency distribution, bi-variate along with logistic regression analysis are done for the whole assessment of overall success of the chosen respondents of selected IT cities of India.

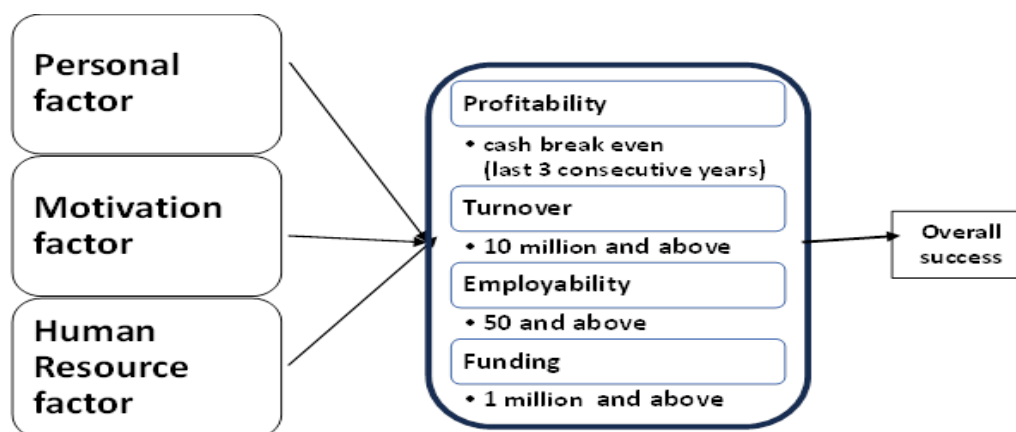
Defining success.

On the basis of the literature: success has been measured in these criteria.

- *Year of survival: three years or more. (Until November of this year).*
- *Profitability; cash break-even point (when total revenue and total expense are equal).*
- *Turnover: In any of the last three years, there has been an annual turnover of more than 10 million.*
- *Employability: Over 50 workers (full-time position)*
- *Fundraising: Over \$1 million (series fundraising, venture capital, or angel investors)*

While measuring the overall success, out of the 4 parameters (Profitability, Turnover, Employability and Funding) if any of the three parameter is satisfied it is considered as successful startup.





Structural model for analysing the impact of factors influencing the success of startups.

Multi collinearity

Table 1; Multicollinearity test							
	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics		Eigenvalue	Condition Index
				Tolerance	VIF		
(Constant)		-6.026	.000			3.949	1.000
PF1	.023	.234	.015	.270	1.110	.033	10.865
MF1	.226	4.241	.000	.901	2.518	.014	12.622
HR1	.345	3.640	.000	.284	2.701	.003	26.743

Source: Computed

We can see that each independent variable has a tolerance level that is rather high and very close to 1, based on the results displayed by the test in the above table. A value greater than 0.2 is seen as evidence that the independent variables do not exhibit multicollinearity. In addition to the tolerance value, the VIF value is also present; it is very close to 1 and far lower than the typical VIF value mark of 5. also adds that there are no problems with multicollinearity. The same is also confirmed by the condition value and eigen value. Every condition value displayed in the table is significantly less than thirty. Actually, every independent value—aside from the "Human Resource Factor (HR)"—shows a condition value less than 15, hence it is ready for regression model.

Table: 2 Omnibus Tests of Model Coefficients			
	Chi-square	df	Sig.
Model	22.239	6	.001

Source: Computed

From the table showing omnibus test of model coefficients, it can be clearly observed that step 1 represents the chi square statistic of 22.239, the chi-square value depicts the association of independent variable in the model fit which is having a significant P-Value (0.001) < 0.05

Table: 4: Classification Table					
	Observed		Predicted		
			Overall success		Percentage Correct
			Unsuccessful	Successful	
Step 1	Overall Success	Unsuccessful	21	87	19.4
		Successful	14	187	93.0
	Overall Percentage				67.3

Source: Computed

Table shows classification matrix, which assists us to find the accuracy of the model. The model predicts precisely accurate to the extent of 67.3 % of the cases in after adding all the independent variable.

Table: 3 Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	7.192	8	.516

Source: Computed

The Hosmer and Lemeshow test or we can say (goodness of fit model) analysis is shown in the table. It suggests that there is no significant difference between the observed and predicted values, and the significance level of (.516)—which is greater than 05—corroborates this. The model sufficiently fits the data, according to the null hypothesis for the Hosmer and Lemeshow test, and since the p-value for the test is greater than 0.05, we are failed to reject the null hypothesis,

Table: 6 Variables in the Equation						
	B	S.E.	Wald	df	Sig.	Exp(B)
PF1	-.954	.465	4.212	1	.040	.385
MF1	-1.152	.556	4.294	1	.038	.316
HR1	.140	.327	.183	1	.669	1.150
Constant	-1.756	1.748	1.009	1	.315	.173

Source: Computed

From the above table, It is observed that coefficient (B) of 'Personal Factor (PF)' with reference to 'Motivating Factor (MF)' and Human Resource Factor (HR) is Negative (.954) and significant as p value < 0.05 i.e; (.040) as sufficed by the odd ratio (.385). and the coefficient(B) 'Motivating Factor (MF)' with reference to 'Personal Factor (PF)' and Human Resource Factor (HR) is negative (1.152) and it is significant (.038). which implies that 'Motivating Factor (MF)' also has a negative impact on the overall success of the start-ups as sufficed by the odd ratio (.316).

Similarly, coefficient of Human Resource Factor (HR) with reference to 'Motivating Factor (MF)' and 'Personal Factor (PF)' is positive (.140) but it is insignificant (0.669)' which means Human Resource Factor (HR) has a positive impact on impact on the overall success of the start-up as sufficed by the odd ratio (1.150).

PERSONAL FACTOR

Table:7 DESCRIPTION OF THE STUDY PERSONAL FACTOR								
	PARTICULARS	Strongly Disagree	Dis-agree	Neutral	Agree	Strongly Agree	Mean Score	influence
	I want to be the sole decision maker and have liberty to take any action I deem necessary.	44	108	79	63	15	2.66	Low
		14.2	35.0	25.6	20.4	4.9		
	I regularly take calculated risks to gain potential advantage.	12	34	95	151	17	3.41	high
		3.9	11.0	30.7	48.9	5.5		
	I constantly interact with people, including customers and clients, for exploring new potential .	7	56	95	138	13	3.30	high
		2.3	18.1	30.7	44.7	4.2		
	I always wanted to follow my passion and achieve something in life.	10	80	115	97	7	3.03	moderate
		3.2	25.9	37.2	31.4	2.3		

Source: Computed

From the table, it is quite evident that majority of the respondent feels that taking **calculated risks** to gain potential advantage has a high influence on the success of the startups similarly constantly interacting with people, including customers and clients, for **exploring new potential** also has a high degree of influence on the success of the startups. Whereas majority of the respondent feels **sole decision maker** and have liberty to take any action and following the **passion** and **achieve** something in life. has a low influence on the success of startups in India.

Table:7 DESCRIPTION OF THE STUDY MOTIVATIONAL FACTOR								
	PARTICULARS	Strongly Disagree	Dis-agree	Neutral	Agree	Strongly Agree	Mean Score	influence
		31	84	91	66	37	2.77	low

	I have a desire to Earn lots and lots of Money.	10.1	27.2	29.4	21.4	12.0		
	I have a Dissatisfaction with previous job or Fear of Unemployment	46	137	71	34	21	2.50	low
		14.9	44.3	23.0	11.0	6.8		
	I want to implement my own business idea.	10	33	54	127	85	2.93	moderate
		2.9	10.7	17.5	41.1	27.5		
	I want to secure self-employment or independent living.	10	21	54	119	105	3.78	high
		3.2	6.8	17.5	38.5	34.0		
	I want to gain social prestige and recognition.	10	21	54	119	105	3.93	high
		3.2	6.8	17.5	38.5	34.0		

Source: Computed

From the table, it is quite evident that majority of the respondent feels that secure self-employment or independent living, highly influence the success of the startups similarly gaining social prestige and recognition, also has a high degree of influence on the success of startups. implementing own business idea has a moderate degree of influence on the success of the business.

Whereas majority of the respondent feels that desire to Earn lots and lots of Money and a Dissatisfaction with previous job or Fear of Unemployment considerably has a low degree of influence on the success of startups in India.

Table:7 DESCRIPTION OF THE STUDY HUMAN RESOURCE FACTOR								
	PARTICULARS	Strongly Disagree	Dis-agree	Neutral	Agree	Strongly Agree	Mean Score	Influence
	To what extent availability of skilled labour force influence the success of your business.	29	29	36	139	76	3.66	Moderate
		9.4	9.4	11.7	45.0	24.6		
	To what extent low labour turnover rate influence the success of your business.	17	35	47	117	93	3.75	High
		5.5	11.3	15.2	37.9	30.1		
	To what extent imparting training to the labour force influence the success of your business.	18	20	66	116	89	3.77	High
		5.8	6.5	21.4	37.5	28.8		
	To what extent employees performance appraisal system influences the success of your business.	20	36	93	86	74	3.51	Low
		6.5	11.7	30.1	27.8	23.9		

Source: Computed

From the table, it is quite evident that majority of the respondent feels that **low labour turnover rate** highly influences the success of the startups similarly **imparting training to the labour force** also has a high degree of influence on the success of startups. Whereas **availability of skilled labour force** has a moderate degree of influences on the success of the startups.

Whereas majority of the respondent feels that **employees performance appraisal system** has a low influence on the success of startups in India.

7. FINDINGS AND SUGGESTIONS

- ❖ Startup owner disagree with the fact that they want to be a Sole Decision Maker which means they seek think tank, team members, collaborative decision making rather than being a sole decision make
- ❖ Risk taking is the key ingredient in the startup journey and the owners don't hesitate to take calculated risks.
- ❖ Startup business seeks Exploring New Potential, constant interaction with people, including customers and clients, Networking, Innovation and taking first mover advantages.
- ❖ Startup owner does not come up with the Desire to Earn more money from the startups and become rich, rather they focus on solving the real-life problems of the people.
- ❖ Startup owner does not start startups with the fear of unemployment, rather they don't seek employment. They want to become job provider rather than the job seeker.

- ❖ Most of the startup owners feels Implementing their Own Business Idea increases the possibilities of success of the startups.
- ❖ Securing self-employment or independent living by most of the startups rather than seeking for jobs is a good indicator for the development of economy.
- ❖ Startup owner feels that as the startups grows, Social Prestige and Recognition from the society also grows. Startup owners start receiving various entrepreneur awards, social talk invitations and other recognition.
- ❖ Need for achievement and doing something for the society increases the success rate of the startups.
- ❖ Human resource plays a key role in the changes, which rely on organisational benefits from centralizing various HR operations and focusing on changing performance assessment to achieve organizational goals and improve performance
- ❖ Human Resource Factor has a direct impact on the success of startups
- ❖ Availability of Skilled Labour Force is the basic requirement for the success of startups, and as most of the startups are tech-based ventures so they required a high skilled professional
- ❖ Lower rate of labour turnover, Employees attitude at workplace is to be duly considered, because attitudes give warnings of potential problems because they influence behaviour.
- ❖ Satisfied and committed employees have lower rates of turnover, absenteeism, and withdrawal behaviours. They also perform better at job so a better incentive scheme should also be implemented.
- ❖ Regarding Training to the employees in the startups, majority of the respondents accept that training is imparted to their employees, at regular intervals. Whereas some deny this statement
- ❖ A large magnitude of respondents to the extent of 37. Agreed and 28.8% strongly acknowledged that 'training increases productivity' and gives task orientation

8. CONCLUSIONS:

Start-ups are mostly formed based on creative and innovative ideas and grow to get success. Three important psychological factors affecting the growth of startup ecosystem is the Among these three factors also there are various sub factors which have a direct impact upon the startup growth among this, Personal factors such as taking calculated risks interacting with people, including customers and clients for exploring new potential, following once own passion and achieve something in life. Motivational factors such as implementing its own business idea, Securing self-employment or independent living. gaining social prestige and recognition, And Human Related resource factors such as availability of skilled labour force, low labour turnover rate imparting training to the labour force has a direct influence on the success of startups in IT Cities of India.

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