

## A STUDY ON STUDENTS' PERCEPTION OF STARTUP FAILURE AND RISK

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### Abstract:

*In years startups have become a popular career choice for students. However, many students are still hesitant to start their businesses. One of the reasons for this is the fear of failure and the perceived risk of starting a business. Student's views on startup failure are influenced by factors, including financial risk, lack of knowledge and experience social and family pressure and concerns about future career stability. These views play a role in shaping their entrepreneurial intentions and decision-making.*

*This study aims to examine the students' perceptions of startup failure and risk factors and how these perceptions affect their attitudes towards entrepreneurship. By identifying whether fear of failure and perceived risk act as barriers or motivators the research seeks to understand the mindset among students. The findings are expected to provide insights for academic institutions and policymakers in developing effective entrepreneurship education and support systems.*

**Keywords:** *Start-ups, Students, Business, Failure, and Risk.*

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### Introduction:

Startups are now a key part of how economies grow, come up with new ideas, and create jobs, especially in countries like India that are still developing. As the environment for startups gets better and governments launch initiatives like Startup India, more and more students are thinking about becoming entrepreneurs as a real career choice.

Schools and universities are also doing their part by promoting new ideas, setting up incubators, and teaching skills to help young people think like entrepreneurs. This is aiding to create a new generation of innovators and business leaders who can drive growth and create jobs. By supporting startups and encouraging entrepreneurial thinking, we can unlock new opportunities for economic growth and development, and aid young people in achieving their full potential.

Many students are still unsure about starting their own businesses, even with all the opportunities available. One big reason for this is the fear of failing and the idea that starting a business is very risky. Failing at a startup is something that happens a lot when people try to be entrepreneurs. While failing can be a great way to learn, people often see it as a bad thing because of the potential financial losses, what others might think, uncertainty about their career, and the stress it can cause. But it's worth noting that failure can also be a valuable experience

that can help people learn and grow. By embracing this mindset, students can begin to see failure as an opportunity for growth, rather than something to be feared.

This can help them feel more confident about taking the leap and starting their own ventures. How students think about failure is really important when it comes to deciding if they want to start their own business. If they see failure as a way to learn and get better, they're more likely to be brave and confident. But if they think failure is bad and will make them feel insecure or unstable, they'll be less willing to take the risk of starting a business. It's all about how they look at failure - is it a chance to develop or a reason to be afraid? When it comes to starting your own business, how you think about risk is a big deal. Being an entrepreneur means taking on lots of different kinds of risks - like financial risks, market risks, career risks, and social risks. Students often think carefully about these risks before contemplating if they want to be an entrepreneur. If they think the risks are too high, they might be less likely to start their own business. But if they have a good understanding of the risks, they can make smart plans and informed decisions.

This can help them navigate the challenges of starting a business and make the most of the opportunities. By understanding the risks, entrepreneurs can be better prepared to handle the ups and downs of startup life and make their businesses more successful. It's really important to learn how students think about startup failures and risks, because this can help us figure out if they're ready to join the startup world.

This research looks at how students' views on startup failures, the risks they see, their fear of failing, and their desire to become entrepreneurs are all connected. By understanding whether these views hold them back or push them forward, we hope to help create a supportive environment in schools and in policy that encourages a positive and realistic view of starting a business. This can help students feel more confident and prepared to take on the challenges of entrepreneurship

#### **Significance of the Study:**

This research is really important because it looks at how students think about failing at startups and what factors make them worried, and how that affects their desire to become entrepreneurs. In India, where startups are becoming more popular, a lot of students are held back from starting their own businesses because they're scared of failing, losing money, and what others might think. By understanding what's going on in their minds, schools and people making policies can create better programs to teach entrepreneurship, provide support, and raise awareness. This study also helps us learn more about how students' thoughts on startup failure impact their decisions to become entrepreneurs, which adds to what we already know from academic research.

#### **Limitations of the Study:**

- The study is limited to a specific sample of students and may not represent all regions.
- Data is based on self-reported responses, which may include personal bias.
- The research focuses only on perception and intention, not actual entrepreneurial behaviours.
- Time constraints may limit the depth of analysis

### Research Problem:

Although startups are increasingly promoted as a promising career option, many students remain hesitant to pursue entrepreneurship due to fear of failure and perceived risks. Factors such as financial uncertainty, lack of experience, social and family pressure, and concerns about career stability may significantly influence their entrepreneurial intention. There is a need to learn how students perceive startup failure and various risk factors, and how these perceptions affect their attitudes and decision-making toward entrepreneurship. Hence, this study seeks to analyse the influence of perceived startup failure and risk on students' entrepreneurial intention.

### Objectives of the Study:

1. To study students' perception of startup failure.
2. To analyse students' perception of risk involved in startups.
3. To examine the impact of fear of failure on students' entrepreneurial intention.
4. To identify major risk factors influencing students' startup decisions.
5. To suggest measures to reduce fear and negative perception of startup failure.

### Hypothesis:

- H1 There is a significant relationship between students' perception of startup failure and their entrepreneurial intention.
- H2 Students' perception of risk involved in startups has a significant impact on their willingness to start a new venture.
- H3 Fear of startup failure has a significant negative effect on students' entrepreneurial intention
- H4 Perceived risk factors (financial risk, market uncertainty, lack of experience, and social pressure) significantly influence students' startup decision-making.

### Review of Literature:

In the study of "Keys Factors Contributing to Startup Failure in the Early Stage. *International Journal of Engineering and Management Research*" by 'Thakur G' Startup failure is often portrayed as mysterious or unpredictable, but the underlying causes are surprisingly common and preventable. Whether it's building a product no one wants, running out of money, or failing to adapt, most startup failures follow recognizable patterns. This research has shown that the key to avoiding these traps lies in market validation, sound financial planning, a strong team, and a willingness to adapt. For entrepreneurs who take these lessons seriously, the odds of building a sustainable business improve dramatically.

In the study of "Fear of Failure and Entrepreneurial Risk Perception" by 'Nabiha Nefzi' it was suggested that students revealing higher trait fear of failure with appraisal tendencies of uncontrollability and uncertainty manifested important entrepreneurial risk perception. So, institutions boosting entrepreneurship should fix attention on the determinants of certainty and controllability. (Nefzi, 10.2478/ijek-2018-0013)

The study of "Fear of failure and Entrepreneurial intentions in University Students" by 'Mutmainnah' uncovers a significant negative relationship between the fear of failure and the intention for entrepreneurship. It

demonstrates that reducing the fear of failure can notably increase the likelihood of pursuing entrepreneurial ventures, suggesting that overcoming this fear is crucial for entrepreneurial success. The findings align with international research, highlighting fear of failure as a important factor in the decision-making process of potential entrepreneurs. (Mutmainnah, 2024)

**Research Methodology:**

1. Research Approach – The study is based on a quantitative research approach to measure and analyse students’ perceptions using numerical data.
2. To understand how students think about startup failure and risk, and how these thoughts affect their desire to become entrepreneurs, a research design was used that looked closely at the details. This design was a mix of describing what students thought and analysing how their thoughts impacted their choice to start their own businesses.
3. The study gets its information mainly from primary data, which was collected directly from the people being studied through a questionnaire that had a set format.
4. To gather the necessary information, a carefully designed questionnaire was created, featuring statements that explored people's views on startup failure, their perceived risk, fear of failing with a startup, and the factors that contribute to risk.
5. We used a convenient sampling method to pick the people we wanted to talk to, basically just choosing those who were easy to reach and available at the time.
6. The study included a total of 100 students, which made up the entire sample size.
7. Measurement Scale – Responses were given value using a 5-point Likert scale ranging from Strongly Disagree to Strongly Agree.
8. Here's what we're looking at in this study: the things that can affect the outcome, or independent variables, are how people think about startup failure, how much risk they think is involved, their fear of failing, and other factors that might influence their decisions. The outcome we're trying to measure, or dependent variable, is whether or not someone wants to become an entrepreneur.
9. To look at the numbers, we used some statistical tools. We calculated percentages, averages, and variances to understand of what was going on. We also used a test called ANOVA, which helps us see if there are any differences between groups of data. This was all done to test our hypotheses and understand how the variables interact with each other.

**Data Analysis:**

**Regression and Correlation:**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.712 <sup>a</sup>	.507	.491	1.22699

a. Predictors: (Constant), Fear\_Failure, Perception\_Failure, Perceived\_Risk

The results of the model summary reveal how well the regression model performs in understanding what drives people to become entrepreneurs. It looks at how strong the connection is between the different factors that influence someone's decision to start their own business and their actual intention to do so. The R value gives us an idea of how closely these factors are related, while the R Square value tells us what percentage of the variation in entrepreneurial intention can be explained by looking at how people perceive failure, their perceived risk, and their fear of failing. The Adjusted R Square gives a more precise estimate, taking into account the number of factors being considered. Overall, the model does a good job of explaining why people might want to become entrepreneurs, which means it's a decent fit. This suggests that the factors we're looking at, such as perception of failure, perceived risk, and fear of failure, really do play a significant role in shaping someone's intention to start their own business.

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	148.462	3	49.487	32.871	<.001 <sup>b</sup>
	Residual	144.528	96	1.506		
	Total	292.990	99			

a. Dependent Variable: Entrepreneur\_Intention  
b. Predictors: (Constant), Fear\_Failure, Perception\_Failure, Perceived\_Risk

The ANOVA table tests whether the overall regression model is statistically significant. It examines whether Perception of Failure, Perceived Risk, and Fear of Failure collectively have a significant effect on Entrepreneurial Intention. Since the significance value (p-value) is less than 0.05, the model is statistically significant, meaning the independent variables together significantly predict entrepreneurial intention and regression model is valid.

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.280	1.101		.254	.800
	Perception_Failure	.203	.047	.321	4.301	<.001
	Perceived_Risk	.178	.053	.286	3.337	.001
	Fear_Failure	.204	.039	.448	5.257	<.001

a. Dependent Variable: Entrepreneur\_Intention

The Coefficients table shows the individual impact of each independent variable on Entrepreneurial Intention. The results indicate that Perception of Failure, Perceived Risk, and Fear of Failure all have positive and statistically significant effects ( $p < 0.05$ ), meaning each variable independently influences entrepreneurial intention. Among them, Fear of Failure has the strongest impact based on the highest standardized Beta value. The constant is not significant, indicating it does not meaningfully contribute to the model. Overall, all predictors significantly affect entrepreneurial intention.

## HYPOTHESES TESTING

H1: There is a significant relationship between students' perception of startup failure and their entrepreneurial intention.

SUMMARY						
Groups		Count	Sum	Average	Variance	
Startup failure is a normal part of the entrepreneurial journey.		100	371	3.71	0.753434	
Learning from failure motivates me to become an entrepreneur.		100	389	3.89	0.644343	
Failed startup provides valuable learning experience.		100	399	3.99	0.777677	
I feel confident in handling failure in a startup		100	347	3.47	0.756667	
My intention to start a business remains strong despite the risk of fail		100	372	3.72	0.850101	
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	15.792	4	3.948	5.219154	0.0004	2.389948
Within Groups	374.44	495	0.75644			
Total	390.232	499				

Source: Primary Data

The outcome of the statistical analysis shows that the initial assumption, or null hypothesis, can be ruled out with a certain level of confidence, specifically at a 5% significance level.

As a result, we accept the alternative hypothesis, which suggests that there is a statistically significant difference or relationship present in the data being studied. It turns out that how students think about startup failures has a big impact on whether they want to start their own business. Whether students view failure as a normal part of the process, something to learn from, and even a motivator, they're more willing to keep their dreams of entrepreneurship alive.

In other words, students who don't fear failure, but instead see it as a valuable learning experience, are more likely to stay committed to their entrepreneurial goals. Hence, it can be concluded that a positive perception of startup failure significantly influences and strengthens entrepreneurial intention among students.

H2: Students’ perception of risk involved in startups has a significant impact on their willingness to start a new venture.

SUMMARY							
<i>Groups</i>		<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
High financial risk reduces my willingness to start a startup.		100	340	3.4	0.787879		
Startup related risk make entrepreneurship less attractive to me		100	297	2.97	0.938485		
Market uncertainty affects my decision to start a startup.		100	341	3.41	0.688788		
I would consider starting a business only if the risk is low		100	308	3.08	1.084444		
Risk plays an important role in my career decision making.		100	376	3.76	0.689293		
ANOVA							
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>	
Between Groups	38.812	4	9.703	11.5818	5.36E-09	2.389948	
Within Groups	414.7	495	0.837				
Total	453.51	499	778				
	2						

Source: Primary Data

The outcome of the analysis shows that we can't support the idea that there's no difference, so we're going to go with the other idea, which is that there is a difference.

This is because our test results tell us that the difference is statistically significant, meaning it's unlikely to happen by chance. This confirms that students’ perception of risk involved in startups has a statistically significant impact on their willingness to start a new venture.

The findings suggest that factors such as financial risk, market uncertainty, and overall startup-related risks influence students’ entrepreneurial decisions. Hence, it can be seen that risk perception plays a significant role in determining students’ willingness to engage in entrepreneurial activities.

H3: Fear of startup failure has a significant negative effect on students' entrepreneurial intention.

**SUMMARY**

I avoid entrepreneurship because I am afraid of falling.					100	266	2.66	1.054949
Fear of losing money stops me from becoming an entrepreneur.					100	315	3.15	1.138889
I worry about social judgment if my startup fails.					100	269	2.69	1.084747
Fear of failure makes me choose safer career options.					100	317	3.17	0.910202
Fear of failure negatively affect my entrepreneurial mindset.					100	291	2.91	1.072626
ANOVA								
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>		<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>	
Between Groups	23.592		4	5.898	5.604957	0.000203	2.389948	
Within Groups	520.88		495	1.052283				
Total	544.472		499					

Source: Primary Data

The results of the ANOVA test tell us that the null hypothesis is rejected at the 5% level of significance. Henceforth, the alternative hypothesis (H3) is accepted.

This confirms that fear of startup failure has a statistically significant negative effect on students' entrepreneurial intention. The findings suggest that fear of losing money, social judgment, and concern about failure influence students' career choices and reduce their inclination toward entrepreneurship.

So, it seems that being afraid of failing can really hold students back from thinking like entrepreneurs and starting their own businesses. This fear can basically stop them from taking the leap and trying to turn their ideas into reality.

H4: Perceived risk factors (financial risk, market uncertainty, lack of experience, and social pressure) significantly influence students' startup decision-making.

**SUMMARY**

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Lack of experience discourage me from starting a business	100	324	3.24	1.073131
Social pressure affects my decision to pursue entrepreneurship.	100	285	2.85	0.997475
Family expectations influence my startup related decision.	100	330	3.3	1.060606
Lack of proper guidance affect my startup planning	100	357	3.57	0.873838
Combined risk factors reduce my intention to start a startup.	100	321	3.21	0.894848

ANOVA

Source of Variation	SS	df	MS	F	P-value	F <sub>crit</sub>
Between Groups	26.532	4	6.633	6.768507	2.61E-05	2.389948
Within Groups	485.09	495	0.97998			
Total	511.622	499				

Source: Primary Data

The outcome of the analysis of variance test shows that we can reject the idea that there's no difference, and this happens at a point where we're 95% sure it's not just a coincidence.

So, we're going to go with the other idea, the one that says there really is a difference, and this is what we call the alternative hypothesis, or H<sub>4</sub> for short. This confirms that perceived risk factors such as financial risk, market uncertainty, lack of experience, social pressure, family expectations, and lack of proper guidance significantly influence students' startup decision-making.

The findings suggest that these combined risk factors affect how students evaluate entrepreneurship as a career option. Hence, it can be concluded that perceived risks play a significant role in shaping students' decisions regarding starting a new venture.

**Remedies:**

- Make entrepreneurship learning more practical so students can actually experience how businesses work, not just study theory.
- Invite entrepreneurs to honestly share their failure stories so students understand that setbacks are normal and not the end of a their career.
- Teach students basic money management and risk-handling skills so financial fear does not stop them from trying.
- Provide supportive mentors who can guide students and clear their doubts during the early stages of planning a startup.

**Conclusion:**

This study shows that how students think about startup failure and risk plays a very important role in shaping their entrepreneurial intention. When students see failure as a learning experience and a normal part of the entrepreneurial journey, they are more likely to remain confident and willing to start their own ventures. On the other hand, fear of failure, financial risk, social pressure, and lack of guidance can reduce their willingness to take entrepreneurial risks.

The findings clearly indicate that perception of failure, perceived risk, fear of failure, and other risk factors significantly influence students' decision-making regarding startups. Therefore, creating a supportive environment through proper guidance, training, mentorship, and awareness can help reduce fear and build a more positive mindset toward entrepreneurship among students.

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