

Factors Affecting Start-Up Failure in Kathmandu Valley

Anshu Sharma Pokhrel*

Abstract

This study examines the factors affecting start-up failure in Kathmandu Valley. Start-up failure is the dependent variable. The selected independent variables are political issues, lack of capital, fear of failure, poor team and lack of entrepreneurial knowledge/skills. The primary source of data is used to assess the opinion of respondents regarding political issues, lack of capital, fear of failure, poor team, lack of entrepreneurial knowledge/skills and start-up failure. The study is based on primary data of 140 respondents. To achieve the purpose of the study, structured questionnaire is prepared. The correlation and multiple regression models are estimated to test the significance and importance of the factors affecting start-up failure in Kathmandu Valley.

The study showed a positive impact of lack of capital on start-up failure. It indicates that lack of capital leads to start-up failure. Similarly, the study showed a positive impact of political issues on start-up failure. It indicates that higher the political influence higher the chance of being start-up failure. Likewise, the study showed a positive impact of fear of failure on start-up failure. It indicates that owners who have fear of failure are likely to have failed their startups. Further, the study showed a positive impact of lack of entrepreneurial knowledge and skills on start-up failure. It indicates that owners who have no entrepreneurial knowledge and skills that leads to fail start-ups. In addition, the study showed a positive impact of poor team on start-up failure. It indicates that existence of poor team leads to start-up failure.

Key words: political issues, lack of capital, fear of failure, poor team, lack of entrepreneurial knowledge/skills, start-up failure

1. Introduction

A startup is a venture or project started by an entrepreneur whose major goal is to significantly impact their customers or clients in a short period and expand production rapidly. Several factors impact start-ups such as finance, education, experience, market demand, etc. Startups generate employment opportunities and are crucial in driving economic growth. Gibb (1997) described that failure in entrepreneurship as the ultimate form of trial and error and as the key approach from which entrepreneurs learn. Experienced entrepreneurs with prior business ownership experience, particularly business failure experience, may be less likely to subsequently report comparative optimism. The scant empirical evidence exploring the links between an entrepreneur's experience and comparative optimism provides conflicting findings (Ucbasaran *et al.*, 2010). Innovation and technological growth to address customer needs are important for startups to gain profitability over their competitors (Deena *et al.*, 2021). Recent trends of new venture startups have paved the way for the expansion of the design industry and opened new windows of opportunity for the traditionally small and non-specialized design businesses (Kim *et al.*, 2018). Similarly, Cardon and Kirk (2015) stated that a community's perspective concerning venture failure may have implications for the level of entrepreneurial activity that occurs within that community, influencing the acceptability of entrepreneurship as a viable career path, legitimacy of working within these ventures as employees, personal and venture capital available to nascent entrepreneurs, and the existence of support networks for emerging ventures. Franchises had higher average levels of assets, profits, revenues, and wages than new, independently created firms. A failed start-up project

* Ms. Pokhrel is a Freelance Researcher, Kathmandu, Nepal.

and start-up have many insights to be offered to the entrepreneurial ecosystem in contributing to a potential success start-up (George, 2021).

Weber *et al.* (2022) observed the rapid emergence of startups that use AI technology as part of their products or services. While AI startups receive much interest from venture capitalists and investors, they also need to find a stable business model to ensure long-term performance and survival. Entrepreneurial self-efficacy is best seen as a multidimensional construct made up of goal and control beliefs, and propositions for how these two different dimensions will play a role during phases in the process of starting up a new business are developed (Drnovsek *et al.*, 2010). In the same way, Mesnard and Ravallion (2006) indicated that the aggregate self-employment rate is an increasing function of aggregate wealth, but a decreasing function of wealth inequality. Business failure is not a random, unpredictable haphazard occurrence; instead, it is a recognizable pattern of symptoms that can be tracked and identified in each business environment and industry (Walsh and Cunningham, 2016). Studying failure is an essential subject since it is an initial prerequisite for learning. Understanding why a startup fails or succeeds is crucially critical to entrepreneurs, investors, and the governments' policymakers regarding its impact on the economic climate's stability and health (Liao *et al.*, 2008). Many entrepreneurs are unable to recover after experiencing an entrepreneurial failure, thinking that they are not suitable for the industry, lack abilities (such as analysis abilities, learning abilities, or leadership abilities), are unable to affirm themselves, unwilling to take the risk of failure, lack entrepreneurial motivation and resources, and are unwilling to try again (Seligman, 2011).

Nigbor and Lukasinski (2023) assessed the challenges determining the success and failure of a startup in the opinion of representatives of Generation Z in POLAND. The study stated that biggest factor in the failure of a startup is a lack of knowledge about the market and customer needs, as well as legal, accounting, and tax issues. Similarly, Grant and Hallam (2016) analyzed team performance in a lean manufacturing operation. The study showed that team member collaboration was positively associated with schedule performance and labor efficiency and team flexibility was positively related to product quality. Likewise, Avdiaj *et al.* (2024) investigated the interplay of multifaceted factors that lead to startup failure (SF) in an emerging context. The study found most common factors for startup failure are related to financial challenges, product-market fit, team dynamics, entrepreneurial mindset, ecosystem support, industry-specific factors, and institutional barriers. Further, Anderson (2017) examined the factors affecting small and medium enterprises (SMEs) startup and growth in Tanzania. The study revealed that competitive activities and location, finance, human and social resources, and technical and management skills play a crucial role in the start-up. In addition, Qeidari *et al.* (2020) assessed the factors affecting the probable failure of local entrepreneurs. The study revealed that individual and managerial skills factors, deterrent financial and legal issues, social barriers, and infrastructural issues were the first to the fourth priorities in clarifying factors affecting the probable failure of greenhouse businesses.

Shahzad *et al.* (2021) analyzed the factors that affect the entrepreneurial intention of start-ups. The study stated that self-motivation, family support, peer influence, and institutional support positively and significantly affected entrepreneurial intention. The role of innovation in start-up failure and success was observed by Aminova and Marchi (2021). The study revealed that innovation is positively correlated to startups' performance and variables such as investment, industry, start-up size, founder's education, and employees' educational level have affected startups' innovations and have contributed to improving their

performance. Similarly, Factors affecting startup success in the Indonesian economy were investigated by Damayanti *et al.* (2022). The study showed that the strategy variable has a significant effect on startup success, innovation has no significant effect on startup success, experience has no significant effect on Startup success, and startup success has a substantial impact on Economic Growth. In addition, factors influencing the startup intention of young people in Vietnam were observed by Thi *et al.* (2023). The study revealed that self-expectation, attitude, perceived feasibility, and finance are confirmed not to be the factors affecting entrepreneurial intention but that only two factors impact Vietnamese students' intention to become entrepreneurs: self-competency and entrepreneurial orientation. Similarly, El-amine and Mohammed (2023) analyzed the startup's failure factors: evidence from the CB Insights tech market intelligence platform. The study stated that the failure factors related to product/market misfit, lack of capital, great power of competition, law and regulation problems, and bad business model appear as the most important factors that lead startups to fail. Likewise, Gazel and Schwenbacher (2021) assessed the entrepreneurial fintech clusters. The study concluded that most fintechs are geographically clustered and that the location of new fintech startups is affected, among other things, by the size of clusters and the presence of incubators where larger clusters attract more new fintech startups, and incubators are shown to be an effective mechanism to attract new fintech startups.

Laitinen (2016) analyzed the financial failure of a startup in a simulation approach. The study found the central role of the internal rate of return in the likelihood of each type of failure. Similarly, Giardino *et al.* (2015) examined software development in startup companies: The Greenfield startup model. The study concluded that the driving characteristics of startups were uncertainty, lack of resources, and time pressure and these factors influence software development to an extent that transforms every decision related to the development strategies into a difficult trade-off for the company. Likewise, Cressy and Bonnet (2018) analyzed the long-run impact of bank lending constraints and other economically important factors on SME failure. The study revealed that financial risk plays an important subsidiary role in startup failure, creating a risk that does not vary over time, leading to a significant percentage of entrepreneurs being beset by lending constraints in the longer run and not learning to manage finance significantly better as their business develops. Further, Bruckner *et al.* (2022) investigated the relationship between crowd funding and entrepreneurial failure as the reason for overfunded startup collapse. The study showed the taxonomy as the causes of failure, at the environmental, firm, and individual levels, based on actual cases that failed after receiving massive overfunding. In addition, Hasani *et al.* (2017) assessed the antecedents to the adoption of social customer relationship management technologies by start-up companies. The study found that the availability of internal financial resources increases the chance of the adoption of SCRM applications, and therefore the marketing teams of companies responsible for developing SCRM solutions should focus their efforts on targeting start-up businesses with a stronger financial profile.

Monteiro *et al.* (2023) analyzed why startups fail in emerging entrepreneurial ecosystems. The study concluded policy and finance are the most problematic domains, while culture, support, and markets are the three middle-ground dimensions. Similarly, Mohammadi (2023) assessed an integrated model of startup failure factors and entrepreneurial strategies to avoid failure. The study found bad organization (bad management and wrong decisions, poor operations and processes, wrong time or place, bad commercialization) as the reasons for startup failure. Likewise, Safitri *et al.* (2023) examined the strategy-based technology-

based startups to drive digital business growth. The study using the Delphi Method stated that eight factors, including strategy formulation, human resources, financial strategy, corporate culture strategy, production and customer service aspect strategy, innovation, and research development activity strategy, strategy evaluation and business performance measurement, and legal and ecosystem aspect considerations, influence the sustainability of the technology-based startup growth process. Further, Devece *et al.* (2016) analyzed an entrepreneurship during economic crisis: success factors and path to failure. The study concluded that for some entrepreneurial profile combinations, entrepreneurship can have better results during recessions than during boom periods. In addition, Battistella *et al.* (2017) analyzed the open accelerators for start-ups success: a case study. The study showed for a startup, newness can derive in lack of specific roles and capabilities and lack of organizational structure and smallness can derive in scarce resources, mainly human and financial ones.

In the context of Nepal, Mishra (2024) analyzed the entrepreneurial success factors in Nepal. The study revealed that an entrepreneurial success is shaped by a diverse array of factors, including financial returns, business growth, non-financial achievements, and the interplay of internal and external elements. Similarly, Shakya *et al.* (2024) assessed determinants affecting small business financially in Nepal: a structural equation modelling analysis. The study stated the key determinants that affect the financial aspects of small businesses in Kathmandu Valley and by identifying these factors shows how small enterprises can be better supported financially, contributing to their growth and long-term sustainability. Likewise, Devkota *et al.* (2022) analyzed the determinants of successful entrepreneurship in a developing nation: empirical evaluation using an ordered logit model. The study found that the factors influencing entrepreneurship are age, gender, education, involvement in entrepreneurship, and leadership. The study also found that there is the need to examine not only entrepreneurship but also a deeper understanding of the determinant factors of entrepreneurship. Further, Yadav and Aithal (2023) examined the factors affecting entrepreneurial success: evidence from the micro-hydro Sector in Nepal. The study found that the company's success is positively impacted by financial resources for expansion, network ties, trust, and years of schooling with a higher impact. The study also found that determinants like initial investment, shared vision, and experience have a lower impact on the company's accomplishment.

Adhikari (2021) assessed the financial hurdles in small business enterprises in Kathmandu Valley. The study revealed majority of people were facing the challenge in small businesses due to a lack of financial accessibility. Similarly, factors affecting the success of entrepreneurship in Kathmandu was investigated by Bhandari and Sthapit (2023). The study showed that Kathmandu's entrepreneurial performance is significantly positively correlated with the availability of financial resources, educational and training opportunities, and governmental laws and regulations. Likewise, Subedi (2024) examined the causes of business success or failure of start-up companies in Kathmandu Valley. The study stated that suitability of the environment, self-motivation, ICT, product and services, strategy, resources, and finance have a positive impact on business success. Further, Bhandari *et al.* (2024) examined the entrepreneur's view on business challenges in disentangling regional capital city: evidence from far western Nepal. The study showed that the most prevalent business challenges were changes in regional capital, lack of financial resources, insufficient innovation, a limited market size, and political instability.

The above discussion shows that empirical evidences vary greatly across the

studies on the factors affecting start-up failure. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The major objective of the study is to examine the factors affecting start-up failure in Kathmandu Valley. Specifically, it examines the relationship of lack of capital, lack of entrepreneurial knowledge and skills, fear of failure, political issues and poor team with start-up failure in Kathmandu Valley.

The remainder of this study is organized as follows: section two describes the sample, data, and methodology. Section three presents the empirical results and final section draws the conclusion.

2. Methodological aspects

The study is based on the primary data which were collected from 140 respondents through questionnaire. The study employed convenience sampling method. The respondents' views were collected on lack of capital, lack of entrepreneurial knowledge and skills, fear of failure, political issues, poor team and start-up failure. This study is based on descriptive as well as causal comparative research designs.

The model

The model used in this study assumes that start-up failure depends upon various factors. The dependent variable selected for the study is start-up failure. Similarly, the selected independent variables are lack of capital, lack of entrepreneurial knowledge and skills, fear of failure, political issues and poor team. Therefore, the model takes the following form:

Start-up failure = f (political issues, lack of capital, fear of failure, poor team, lack of entrepreneurial knowledge/skills).

More specifically,

$$SF = \beta_0 + \beta_1 LOC + \beta_2 PI + \beta_3 FOF + \beta_4 PT + \beta_5 LEKS + e$$

Where,

SF = Start-up failure

LOC = Lack of capital

PI = Political issues

FOF = Fear of failure

PT = Poor team

LEKS = Lack of entrepreneurial knowledge/skills

Start-up failure was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Insufficient funding can restrict development and operations, leading to failure", "Political instability and regulatory issues create

unpredictability, negatively affecting businesses” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.825$).

Lack of capital was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “Insufficient funding is a significant reason for startup failures”, “My startup’s financial resources have directly impacted its ability to succeed” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.832$).

Political issues were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “Political instability has affected the operations of my startup”, “Regulatory challenges have contributed to the failure of my startup” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.791$).

Fear of failure was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “Fear of failure has limited my risk-taking ability in business decisions”, “Acknowledging the possibility of failure has discouraged me from pursuing new opportunities” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.839$).

Poor team were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “Having a weak team has contributed to the failure of my startup”, “Poor communication among team members has hindered my startup’s progress” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.849$).

Lack of entrepreneurial knowledge/skills were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I feel confident in my understanding of essential entrepreneurial concepts and practices”, “I believe that my current skills are sufficient to effectively manage a startup or business venture” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.823$).

The following section describes the independent variables used in this study along with the hypothesis formulation.

Political issues

Political issues are the issues related to government, politics, and public policy, national security, civil rights, and environmental policies and it can significantly impact startups through changes in regulations, taxation, and business environment. According to Tushabomwe (2006), politics can also pose a threat to business success. Likewise, Cantamessa *et al.* (2018) stated that the political and economic situations of the environment where the startup operates could affect its success, due to regulations or economic conditions, influencing the willingness-to-pay of the potential customer segments. Further, Sheng *et al.* (2011) found that business ties are more beneficial when legal enforcement is inefficient and technology is changing rapidly, whereas political ties lead to greater performance when

general government support is weak and technological turbulence is low. The study also found that firms should be cautious in their use of business and political ties and adapt their tie utilization to changing institutional and market environments. Based on it, this study develops the following hypothesis:

H₁: There is a positive relationship between political issues and startup failure.

Lack of capital

Capital refers to financial assets or resources that are used by a company to produce goods or services which is essential for businesses to operate and grow, and it can come from Capital decisions and the use of debt and equity at start-up have been shown to have important implications for the operations of the business, risk of failure, firm performance, and the potential of the business to expand (Cassar, 2004). According to Pasumarti and Pattnaik (2020), availability of finance can make or break businesses. A startup needs finance to achieve goals, short-term and long-term activities, and to meet financial requirements. Bastie *et al.* (2013) stated the financial capital also affects modes of entry. There is a positive relationship between access to debt and takeovers. Takeovers are predictably more often financed by bank loans. Based on it, this study develops the following hypothesis:

H₂: There is a positive relationship between lack of capital and startup failure.

Fear of failure

The fear of failure in startups refers to the anxiety and apprehension that entrepreneurs may experience due to the potential negative outcomes associated with starting and running a new business. Games *et al.* (2024) stated that fear of failure and entrepreneurial well-being is higher in incubated groups compared to non-incubated startups as these are designed to pursue business growth. Similarly, Kim and Lee (2024) found that fear of startup failure had a significant negative effect on the intention to start a business among the MZ generation. Likewise, Ng and Jenkins (2018) showed a dispositional fear of the social consequences of failure dampens the otherwise positive relationship between entrepreneurial self-efficacy and entrepreneurial intentions. Based on it, this study develops the following hypothesis:

H₃: There is a positive relationship between fear of failure and startup failure.

Poor team

Teamwork is crucial for the success of a startup as it brings together diverse skills and perspectives, promotes innovation, and enhances productivity. Almeida (2019) found that the high significance of human capital in organizations that are leveraged through teamwork in teams formally established for this purpose, but above all, it is important to highlight the role that informal communication assumes in the growth process of these startups. Similarly, Baptista *et al.* (2014) stated that various forms of human capital have little effect on the early survival of unemployment-driven entrepreneurs, who rely mostly on previous entrepreneurial experience to persevere. Likewise, Thirasak (2019) showed that many external and internal factors can cause a business to fail. Because most new startup ventures fail owing to people-related issues, it is essential for them to form strong teams comprising members who have a high level of KSAs and can work well together. Based on it, this study develops the following hypothesis:

H₄: There is a positive relationship between poor team and startup failure.

Lack of entrepreneurial knowledge/skills

Entrepreneurial knowledge and skills refer to the understanding and abilities required to effectively start, manage, and grow a business, including areas such as financial literacy, marketing, leadership, and problem-solving. According to Safari and Das (2023), a lack of awareness about the crucial role of training and the availability of funds and other services for SMEs is a key issue to the failure of business. Likewise, Jing *et al.* (2016) stated that a learning model of student entrepreneur after business failure is discovered, which offers a practical point of reference for undergraduates' entrepreneurship education today. Similarly, Olugbola (2017) concluded a positive effect of opportunity identification, motivation, and resources on entrepreneurship and the central role of entrepreneurship training in all factors, including entrepreneurial ability. Based on it, this study develops the following hypothesis:

H₅: There is a positive relationship between lack of entrepreneurial knowledge/skills and startup failure.

3. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's Tau correlation coefficients along with mean and standard deviation has been computed and the results are presented in Table 1.

Table 1

Kendall's Tau correlation coefficients matrix

This table presents Kendall's Tau coefficients between dependent and independent variables. The correlation coefficients are based on 140 observations. The dependent variable is SF (Start-up failure). The independent variables are LOC (Lack of capital), PI (Political issues), FOF (Fear of failure), LEKS (Lack of entrepreneurial knowledge and skills) and PT (Poor team).

Variables	Mean	S.D.	SF	LOC	PI	FOF	LEKS	PT
SF	3.866	0.734	1					
LOC	3.894	0.723	0.412**	1				
PI	3.907	0.687	0.375**	0.416**	1			
FOF	3.821	0.811	0.383**	0.488**	0.340**	1		
LEKS	3.869	0.747	0.480**	0.447**	0.407**	0.407**	1	
PT	3.891	0.745	0.427**	0.472**	0.417**	0.358**	0.466**	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

Table 1 shows the Kendall's Tau correlation coefficients of dependent and independent variables. The study shows that lack of capital is positively correlated to start-up failure. It indicates that lack of capital leads to start-up failure. Similarly, political issues are positively correlated to start-up failure. It indicates that higher the political influence higher the chance of being start-up failure. Likewise, fear of failure is positively correlated to startup failure. It indicates that owners who have fear of failure are likely to have failed their startups. Further, lack of entrepreneurial knowledge and skills are positively correlated to start-up failure. It indicates that owners who have no entrepreneurial knowledge and skills

that leads to fail start-ups. In addition, poor team is positively correlated to on start-up failure. It indicates that existence of poor team leads to start-up failure.

Regression analysis

Having indicated the Kendall’s Tau correlation coefficients, the regression analysis has been carried out and the results are presented in Table 2. More specifically, it shows the regression results of lack of capital, lack of entrepreneurial knowledge and skills, fear of failure, political issues and poor team on start-up failure in Nepalese commercial banks.

Table 2

Estimated regression results of lack of capital, lack of entrepreneurial knowledge and skills, fear of failure, political issues and poor team on start-up failure

The results are based on 140 observations using linear regression model. The model is $SF = \beta_0 + \beta_1LOC + \beta_2PI + \beta_3FOF + \beta_4PT + \beta_5LEKS + e$ where the dependent variable is SF (Start-up failure). The independent variables are LOC (Lack of capital), PI (Political issues), LOF (Fear of failure), LEKS (Lack of entrepreneurial knowledge and skills) and PT (Poor team).

Model	Intercept	Regression coefficients of					Adj. R_bar ²	SEE	F-value
		LOC	PI	FOF	LEKS	PT			
1	1.031 (4.322)**	0.717 (12.080)**					0.510	0.514	145.919
2	1.267 (4.480)**		0.717 (12.080)**				0.382	0.577	87.032
3	2.142 (8.195)**			0.498 (6.743)**			0.242	0.639	45.473
4	1.183 (5.055)**				0.705 (11.680)**		0.493	0.523	136.415
5	1.280 (5.210)**						0.450	0.544	114.852
6	0.604 (2.336)*	0.492 (6.040)**	0.268 (3.556)**				0.549	0.493	85.435
7	0.495 (1.856)	0.492 (6.040)**	0.251 (3.325)**	0.109 (1.572)			0.553	0.491	58.392
8	0.307 (1.222)	0.354 (4.365)**	0.251 (3.325)**	0.018 (0.262)	0.705 (11.680)**		0.613	0.456	56.147
9	0.307 (1.222)	0.300 (3.426)**	0.251 (3.325)**	0.023 (0.338)	0.312 (3.852)**	0.312 (3.852)**	0.618	0.454	45.990

Notes:

1. Figures in parenthesis are t-values.
2. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
3. Start-up failure is dependent variable.

Table 2 show that the beta coefficients for lack of capital are positive with start-up failure. It indicates that lack of capital has a positive impact on start-up failure. This finding is consistent with the findings of Cassar (2004). Similarly, the beta coefficients for political issues are positive with start-up failure. It indicates that political issues have positive impact on start-up failure. This finding is consistent with the findings of Tushabomwe (2006). Likewise, the beta coefficients for fear of failure are positive with start-up failure. It indicates that fear of failure has a positive impact on start-up failure. This finding is consistent with the findings of Games *et al.* (2024). Further, the beta coefficients for lack of entrepreneurial knowledge and skills are positive with start-up failure. It indicates that lack of entrepreneurial

knowledge and skills has a positive impact on start-up failure. This finding is consistent with the findings of Safari and Das (2023). In addition, the beta coefficients for poor team are positive with start-up failure. It indicates that poor team has a positive impact on start-up failure. This finding is similar to the findings of Baptista *et al.* (2014).

4. Summary and conclusion

A startup is a venture or project started by an entrepreneur whose major goal is to significantly impact their customers or clients in a short period and expand production rapidly. Several factors impact start-ups such as finance, education, experience, market demand, etc. Startups generate employment opportunities and are crucial in driving economic growth. Failure in entrepreneurship as the ultimate form of trial and error and as the key approach from which entrepreneurs learn. Experienced entrepreneurs with prior business ownership experience, particularly business failure experience, may be less likely to subsequently report comparative optimism. The scant empirical evidence exploring the links between an entrepreneur's experience and comparative optimism provides conflicting findings. Innovation and technological growth to address customer needs are important for startups to gain profitability over their competitors. A community's perspective concerning venture failure may have implications for the level of entrepreneurial activity that occurs within that community, influencing the acceptability of entrepreneurship as a viable career path, legitimacy of working within these ventures as employees, personal and venture capital available to nascent entrepreneurs, and the existence of support networks for emerging ventures. Franchises had higher average levels of assets, profits, revenues, and wages than new, independently created firms.

This study attempts to examine the factors affecting start-up failure in Kathmandu Valley. The study is based on primary data of 140 respondents.

The major conclusion of the study is that lack of capital, lack of entrepreneurial knowledge and skills, fear of failure, political issues and poor team have positive impact on start-up failure. The study also concludes that lack of capital followed by lack of entrepreneurial knowledge/skills and poor team are the most influencing factors that affects start-up failure in Kathmandu Valley.

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